

# **CO-OPERATIVE PROCUREMENT AND MARKETING OF TENDU LEAVES IN MADHYA PRADESH**

IMAGE AND REALITY

Sharachchandra Lele  
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Jeetesh Rai

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**ABBREVIATIONS**  
**and GLOSSARY**

Adhyaksh	President (of Primary Co-operative Society or District Union)
CF	Conservator of Forests
CFR	Community Forest Rights
DFO	Divisional Forest Officer
DU	District Union
FD	Forest Department
FRA	Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006
MFP	Minor forest produce
MFPFED	Madhya Pradesh State Minor Forest Produce (Trading and Development) Co-operative Federation Limited
MoEF	Ministry of Environment and Forests, Government of India
MoPR	Ministry of Panchayati Raj, Government of India
MoTA	Ministry of Tribal Affairs, Government of India
MP	Madhya Pradesh
NTFP	Non-timber forest products
PCS	Primary Co-operative Society
PESA	Panchayat (Extension to Scheduled Areas) Act, 1994
Phad	Leaf collection and processing centre catering to one or more villages
Phad Munshi	Collection centre clerk
Prabandh Samiti	Executive committee of the MFP
Prabandh Sanchalak	Chief Executive Officer/Managing Director of the District Union
Prabandhak	Manager of the Primary Co-operative Society
Sanchalak Mandal	Executive Committee of the District Union or the MFPFED
Tendu	<i>Diospyros melanoxylon</i> , a deciduous tree found in the Indian peninsula
Upadhyaksh	Vice-President (of Primary Co-operative Society or District Union)

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# EXECUTIVE SUMMARY

## Background

The collection and sale of non-timber forest products (NTFPs) forms a significant part of the livelihoods of forest-fringe communities in India, with an estimated 10-27 crore people involved in it. The leaf of tendu (*Diospyros melanoxylon*), which is used to roll beedis (Indian cigarettes), is one of the most socially and economically important NTFPs. Its collection provides employment to at least 75 lakh leaf pluckers, largely in central India. Madhya Pradesh produces the largest volume of tendu leaf in the country, accounting for more than 25% of the national production.

All central Indian states have 'nationalized' tendu leaves in order to control its trade, and ostensibly follow policies to enhance incomes for tendu leaf pluckers. After the passing of the Panchayats (Extension to Scheduled Areas) Act (PESA) in 1996 and the Forest Rights Act (FRA) 2006, the states are under pressure to transfer rights over tendu leaf and all other NTFPs to forest-dwellers. But no practical approach has been worked out for this transition.

The MP (and Chhattisgarh) model, in which a three-tiered federation of co-operatives procures and markets tendu leaf, has been lauded by various committees as being the best approach to enhancing forest-dweller incomes and assuring their rights, and coming 'closest to the soul and spirit of the PESA'. The MP government claims that it has 'transferred ownership of NTFPs to Gram Sabhas' through this model. There are, however, no systematic assessments of this model after 1998.

This report presents the results of a study of tendu leaf procurement and marketing in Madhya Pradesh during 2010-12. The objective of the study was to understand how well the MP model has worked along different dimensions, and the factors influencing these outcomes, so as to inform the debate on future policy regarding NTFP procurement and marketing in light of the PESA and FRA.

## Brief overview of co-operative tendu leaf marketing in MP

Tendu leaf collection was historically carried out by the Forest Department auctioning collection rights to contractors in return for royalty, with the contractors in turn engaging villagers as wage labourers. After the Bawa Committee report of 1971, the states began efforts to improve the lot of the collectors. In MP, after some failed attempts, the state government co-operativized the entire tendu leaf marketing process in 1988-89. It created a three-tier system of Primary Co-operative Societies (PCSs or Prathamik Samitis) at the scale of a few villages, District Unions (DUs) at district or forest division scale, and a state-level Madhya Pradesh Minor Forest Produce (Trading & Development) Co-operative Federation (MFPFED). The MFPFED would set a minimum 'collection wage' for the tendu leaf pluckers and also eventually distribute some of the profits back to the pluckers in the form of 'incentive wage' or bonus, while paying royalty to the government. In 1998, responding to the PESA, the royalty was eliminated and a policy of distributing most of the net profit as incentive wage was established. Following the separation of Chhattisgarh state from MP in 2000, MP has 1,066 PCSs, organized into 61 DUs, and officially involving 32 lakh tendu leaf pluckers.

The system works as follows. MFPFED calls for price bids (tenders) from contractors for each PCS approximately six months prior to the harvesting season. The highest bidder is awarded the contract and has to commit to buying a certain amount of leaf. Pruning of tendu bushes to encourage growth of tender leaves is carried out in February-March. During the harvest season, in May-June, collectors pluck, sort and submit 50-leaf bundles to the phad (the collection centre). The contractor arranges for the leaves to be dried in the phad, packed and transferred to godowns. The PCS pays the collection wage to the pluckers using funds advanced by MFPFED. Payments from the contractor to MFPFED come in over

a six-month period, and after the accounts are finalized, 60% of the net profit (after subtracting administrative costs) is disbursed to the pluckers as incentive wage, while 40% is transferred to Village and Forest Development Funds.

The governance of this system is supposed to be as follows. All tendu leaf pluckers are entitled to become members of the PCS. They elect a Prabandh Samiti (Executive Committee) for five years. The Samiti appoints a Prabandhak (manager) and the Phad Munshis (who manage the collection centres). The members of all Samitis in one DU elect a 10-member board of the DU. The Divisional Forest Officer is the Managing Director of the DU. All DUs in turn elect 9 members to the Board of Directors of MFPFED. Another 9 directors are either state-nominated or ex-officio from different departments. The Chairperson of MFPFED is usually appointed by the Registrar of Co-operatives. The day-to-day operations of MFPFED are handled by officers on deputation from the Forest Department. This three-tier co-operative federation is hereinafter referred to as the 'MFPFED system'.

### Objectives and conceptual framework

To assess how the MFPFED-led co-operative system of tendu leaf procurement works in Madhya Pradesh, we used the following criteria:

- 1. Efficiency, that is,**
  - a. obtaining the best price in the tendu leaf market,
  - b. passing on as much of this price to the collectors as possible in a timely manner,
  - c. effectively delivering any additional services promised to the collectors.
- 2. Fairness, that is,**
  - a. fair distribution of the benefits of cooperation between PCSs
  - b. returns to individual collectors in proportion to the quantity and quality of produce they supply.
- 3. Financial and ecological sustainability, that is,**
  - a. avoiding continuous losses and building up of working capital and reserves,
  - b. ensuring sustainable harvest of the forest product.
- 4. Democratic governance, that is,** whether the co-operative system functions as a 'voluntary association of individuals', whether it is downwardly accountable and transparent.

To explain the extent of success or failure, we explored frameworks from both institutional analysis and political economy literatures, the former focusing on the design of the co-operatives and the latter on why certain designs are chosen over others.

### Study area and methodology

The study covered eight District Unions (DUs) and 25 Primary Co-operative Societies (Prathamik Samitis or PCSs) across six districts – Betul, Dindori, Umariya, Sagar, Sehore and Vidisha. The districts were chosen as representing regions with high tendu leaf availability and varying Adivasi fraction of population (40-65% in the first three districts and low in the last three). Focus group discussions with tendu leaf pluckers were complemented by interviews, and participant observation to understand the rigours of the tendu leaf collection process. Household data on socio-economic status and NTFP dependence were collected from 125 households. Interviews were conducted with Phad Munshis, PCS Prabandhaks, Forest Department officials, MFP Federation officials, tendu leaf contractors, former beedi manufacturers, researchers and activists. Secondary data were collected from offices at all levels, and from states of Maharashtra, Odisha and Rajasthan for comparison.

### Performance

- 1. Efficiency:** The MFPFED system initially brought about a big increase in the returns to collectors, but its effectiveness has declined over time and its potential has not been fully realized. In particular:
  - a. The tender price obtained in MP is only about 60% of the price at which the contractor sells the leaves to the beedi manufacturer.
  - b. The tender price obtained in MP is lower than the price obtained in Maharashtra or Odisha for leaves of similar quality and processing level.
  - c. The collector share in the tender price has improved over time but not crossed ~65%. The low share for the collectors is primarily due to the policy of diverting 32–40% of the tender price towards village and forest development funds and the MFPFED corpus.
  - d. The first payment (collection wage) usually occurs promptly, although with irregularities in certain areas. The second payment (incentive wage or bonus) is, however, delayed inordinately (more than 12 months). There are also significant irregularities in its disbursement.
  - e. Currently, the first payment (collection wage) is on average less than 50% of the total final return, when it can be and has been as high as 80% in the past.
  - f. Although MFPFED has launched several 'welfare' schemes for the pluckers, such as group insurance and educational scholarship for children of leaf pluckers, the schemes are poorly implemented.
  - g. In Sagar district in particular, there appears to be a black market in tendu leaves, i.e., leaves being sold

directly by collectors to beedi makers, bypassing the PCS, leading to a loss of returns to the PCS (and eventually to the collectors).

**2. Equity within and across PCSs:** The system is generally equitable, although Sagar district presents anomalies. In particular:

- a. Within PCSs, barring some irregularities in noting of the amount of tendu leaf collected and in bonus distribution, there is a fair distribution of returns amongst collectors.
- b. Between PCSs, those with better quality leaves should get better returns, and this is indeed the case in most of MP. In Sagar district, however, no bonuses have been paid in many profit-making PCSs because some other PCSs in the district are making losses. An unfair and unwritten cross-subsidy policy appears to be in place.

**3. Financial and ecological sustainability:** The system is financially sustainable and generally functions smoothly. Its ecological sustainability is unclear. In particular:

- a. There have not been cases of large-scale misappropriation of funds in the system. Nor is it being subsidized by the state, or incurring debts from any other sources. MFPFED has accumulated a large corpus over the years and has tried to diversify its activities.
- b. The system has been financially sustainable. By shifting to pre-harvest tendering, MFPFED has shifted much of the risk on to the contractors.
- c. However, the risk of not receiving any tender bid at all for a PCS still exists. This has been addressed by the rather questionable practice of cross-subsidizing from the profits of other PCSs.
- d. A rigorous analysis of ecological sustainability was not possible within this study. However, the amount of tendu leaf harvest appears to have remained steady over the years, suggesting that the harvesting is somewhat ecologically sustainable.
- e. But there is a raging and unresolved debate between the forest department, the pluckers and the contractors regarding the role of fire and pruning in maintaining short-term productivity, long-term sustainability and impacts on the larger forest ecosystem.

**4. Democratic governance and empowerment:**

Co-operative societies are supposed to be voluntary collective action institutions, owned by and accountable to their members through transparent functioning, annual general meetings and elections. The tendu leaf co-operatives in MP are, however, a far cry from this ideal, and even more so from the claim of 'transferring of NTFP rights to Gram Sabhas in response to PESA'.

In particular:

- a. Most leaf pluckers remain unaware of the existence of co-operative societies even after 25 years of their existence. They continue to think of themselves as wage labourers rather than owners of the produce, an impression reinforced by terms such as 'collection wage' and 'bonus'. Payment of bonus in public functions by MLAs further reinforces the feeling of it being state largesse, rather than of it being rightful income.
- b. Membership rolls have not been updated and elections have not been held for many years in most places. Often elected representatives do not even know whether they are still in office. Elections, if held, appear to be closed-door affairs managed by the Forest Department.
- c. In any case, elected executive committees of PCS and DU have no financial powers, functioning as rubber-stamps of the Forest Department. The level of awareness of office-bearers regarding the functioning of the tendu leaf marketing system is generally abysmally low; they openly acknowledge that 'control lies with the Forest Department'.
- d. Lack of control by the pluckers enables irregularities and leakages at various levels, starting from the Phad Munshi.
- e. At the higher levels, the DUs are directly controlled by the local DFOs in their capacity as Managing Directors, and the Board of Directors of MFPFED is stacked with government officials, and chaired by ministers or MLAs, negating the very idea of a bottom-up federation of co-operatives of collectors. All the executive positions in MFPFED are held by forest officers.

In short, the so-called co-operative marketing structure is simply a façade for a fully state-controlled (largely Forest Department-controlled) system with no downward accountability. Moreover, while marketing co-operatives are based on the assumption that members own the produce, in the case of tendu leaf and NTFPs in general, even after the passage of PESA and FRA, the state is the de facto owner of the produce. Thus, the tendu leaf pluckers are still essentially wage labourers who are allowed to gather state-owned produce from state-owned forests and are required to bring the produce to the state-run co-operatives.

### Explaining the performance

Since these co-operatives were set up top-down and continue to function in that manner, the theory of collective action institutions cannot explain any shortcomings in performance. The functioning of the system is best explained

in terms of the interplay between three powerful actors, viz., the tendu leaf contractors (and beedi manufacturers), state politicians and the forest bureaucracy. The idea of setting up these co-operatives was the brain-child of a politician seeking to break the hold of the tendu leaf contractor lobby in state politics. Over time, the co-operatives have become platforms for launching political careers and for pleasing the larger electorate by appearing to distribute state largesse, while tendu leaf contractors and the Forest Department enter into a comfortable arrangement that ensures that the forests and forest produce harvesting are controlled by the department without putting undue pressure on the margins of the contractors. The tendu leaf pluckers are appeased by small increases with wage rates, releasing bonuses with political fanfare, and announcing some populist welfare measures with the pluckers' own money.

### A different lens: A costless state employment scheme?

One may take the perspective that it does not matter that the system is not a genuine co-operative federation, as long as the economic interests of the tendu leaf pluckers are protected. From this perspective, while the MFPFED system is a smoothly functioning employment scheme using state forest resources that does not impose any financial burden on the state, it provides a barely adequate return to the pluckers for the labour they put in. There is significant variation in the labour-time spent in collection and bundling of tendu leaves, and on the whole the effective return to labour-time is lower than the state's minimum wage rate. The delays in the second payment, the unfair diversion of pluckers' earnings towards so-called village and forest development and other forms of micro-level harassment aggravate the problem. Thus, even after setting aside the expectation of decentralized, democratic governance that is the imperative of PESA and FRA legislations, the system can only be said to be a limited success.

### Policy implications

Even within the narrow paradigm of employment generation, the state can take the following measures to benefit the pluckers in the short-run:

- a. Abolish the deduction towards village and forest development funds;
- b. Increase the first payment (collection wage) to 75% of the tender price;
- c. Shorten the payment period for the contractors to five months after the leaf reaches the phad, and calculate and distribute the second payment within one month of the last payment from the contractor;
- d. Redress grievances regarding the irregularities in disbursement of wages;
- e. Make the administrative cost calculations transparent; and
- f. Invite tenders from a wider set of contractors from outside Madhya Pradesh to make the bidding more competitive.

Even the implementation of these simple measures, however, is unlikely unless forest-dependent communities mobilize and demand a say in the running of the so-called co-operatives. The PESA and the FRA provide a legal basis to demand this say and ensure downward accountability. Of course, with such rights will come greater responsibility as well, including the management of cash flow, dealing with contractors, and carrying out tendu leaf pruning operations on their own. Some communities, generally those that have been supported by activists, are ready to accept this challenge. They have demanded that the working capital corpus currently used by MFPFED should be transferred proportionately to the PCSs. Other communities, however, remain at much lower levels of awareness and mobilization. Short-term top-down measures will have to be accompanied by widespread grassroots-level mobilization if the system has to improve in the long run.

## 1

# INTRODUCTION

Non-timber forest products (NTFPs) have been the focus of research and policy attention over the last several decades from the perspectives of poverty alleviation, cultural rights as well as forest conservation. The collection and sale of NTFPs forms a significant part of the livelihood of forest-dependent peoples in many parts of the world (Kusters and Belcher 2004; Laird et al. 2010), not just in terms of its total contribution to income but also because this activity is often carried out during the lean season. It provides a safety net (Shackleton and Shackleton 2004), and can provide crucial cash income in an otherwise subsistence economy. For certain forest-dwelling communities, NTFPs are an essential part of their diet, health-care and cultural practices. Conservationists have also argued in favour of NTFP extraction because it can have lower impact on biodiversity than timber logging or firewood extraction (Panayotou and Ashton 1992). Enhancing NTFP-based incomes for forest-dwelling communities has therefore often been seen as a win-win proposition from these multiple perspectives.

In the Indian context, forest-dwelling communities in central India (especially, but not exclusively, Scheduled Tribes or adivasis<sup>1</sup>) have been known to be particularly dependent on NTFPs not only for income generation but also self-consumption (e.g., Mitchell et al. 2003). Estimates of the number of NTFP collectors in India range from 100 million to 275 million (MoPr 2011). Even with increasing opportunities in other sectors,

NTFP collection continues to play a crucial role in the livelihoods of forest-adjacent villagers, especially many adivasi communities.

Since the 1970s, central and state governments have ostensibly recognized and responded to this dependence by initiating a series of policies and programmes to enhance the benefits from NTFP collection, especially to Adivasi communities. The perennial question is whether, and to what extent, these policies and programmes have actually benefited NTFP collectors (Fernandes et al. 1988; Lélé and Rao 1996). With the passage of the PESA<sup>2</sup> in 1996 and, more recently, the Forest Rights Act<sup>3</sup> (hereinafter FRA) in 2006, the debate has become sharper and also expanded from the question of just magnitude of benefits to that of empowerment. State governments continue to justify their existing policies, which require significant state involvement in NTFP procurement and marketing, while activists demand full implementation of NTFP rights promised to forest-dwellers. Tendu leaf, the leaf of *Diospyros melanoxylon*, is the most commercially valuable NTFP of central India (other than bamboo), with the most organized systems of procurement and marketing. It is therefore a suitable case for examining these questions.

The leaf of tendu (in Hindi, or kendu in Odiya or tumri in Marathi) is used in wrapping tobacco to make the beedi or Indian cigarette. It is one of the most economically valuable NTFPs in India, with recent consolidated annual sales of nearly ₹1,900 crores in Madhya Pradesh (MP),

<sup>1</sup> We prefer to use the term *adivasi*, which in the Indian discourse is used synonymously with 'tribal' and 'indigenous community'.

<sup>2</sup> The Panchayat (Extension to Scheduled Areas) Act 1994 is a law that provides for self-governance among adivasi communities in the Scheduled Areas.

<sup>3</sup> More precisely, the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006.

Chhattisgarh, Odisha and Maharashtra.<sup>4</sup> In terms of livelihoods, the plucking of the tendu leaf generates six weeks of employment annually for approximately 7.5 million people, many of whom are adivasis, and come from marginalized sections of society (Lal 2012). The leaf is procured largely from the central Indian states of MP, Chhattisgarh, and Odisha, along with Maharashtra, Andhra Pradesh, Jharkhand and Rajasthan. MP is the largest producer of the tendu leaf and accounts for 25% of the total annual production of the leaf in the country, with annual sales exceeding ₹600 crores in 2012 (MFPFED 2013). The fraction of rural households involved in tendu leaf plucking may be as high as 85–90% in adivasi-dominated villages in these states.<sup>5</sup>

Each of these states passed legislation in the 1960s or early 1970s to 'nationalize' tendu leaves, enabling the state to exercise monopoly control on the harvest, transport and sale of this product (Lele et al. 2010). Although this nationalization paid lip service to the need for protecting the 'poor, illiterate adivasi' tendu leaf collectors from unscrupulous middle-men it was essentially a continuation of British colonial policy of imposing state monopolies over all valuable forest products to maximize state revenues through royalties. After the passing of the PESA legislation in 1996, some states stopped taking these royalties, although they have continued to maintain a tight control over the whole process. MP (including present-day Chhattisgarh) was the only state that, in addition to abolishing royalties in 1998, had already implemented a three-tier co-operative structure for tendu leaf marketing, called the Madhya Pradesh Minor Forest Produce (Trading & Development) Co-operative Federation Limited (MFPFED for short), with the goal of maximizing returns to tendu leaf collectors. The MFPFED website claims that "*Madhya Pradesh became the first state in the country to decide upon transfer of ownership of non-wood forest produce to the Gram Sabhas (local level Panchayati Raj institutions)*".<sup>6</sup> The Sharma Committee that was set up by the Ministry of Panchayati Raj in the wake of the PESA to study the question of NTFP ownership and functioning of state agencies in PESA states also extolled the MP model. The committee's report stated that "*the three-tier*

*[co-operative] society based federal system of Madhya Pradesh and Chhattisgarh states appeared to the Committee to be the best (sic) democratic and decentralized system that comes closest to the soul and spirit of the PESA. It has evolved over decades and has stood well the test of times.*" (MoPr 2007, p.29-30, section 4.1.1).

Notwithstanding these claims, the question of who owns NTFPs in general and the valuable tendu leaf in particular has re-emerged with greater vigour at the national level after the passing of the FRA. This Act explicitly confers ownership, extraction and sale rights over all 'minor' forest products on forest dwellers. The Haque committee, set up by the MoPR in 2010 after the promulgation of the FRA, pointed out that there is no statutory reconciliation in MP between the PESA, the Panchayat Act and the state-level tendu leaf Act (MoPr 2011, p.8), and therefore no control of Gram Panchayats (village-level councils) or Gram Sabhas (village-level general bodies) over the co-operatives (MoPr 2011, p.27). In 2013, some of the villages in Maharashtra that received Community Forest Rights under the FRA demanded that they be allowed to harvest and sell tendu leaves outside the state-appointed contractor system, and in April 2013, the Maharashtra government gave 18 villages this right (Pallavi 2013). Exercising this right, however, proved to be challenging (Dahat 2013), as the tendu leaf contractors boycotted the pre-harvest auction by the villagers, and the Maharashtra State Tribal Development Corporation was asked to step in and provide working capital and a purchase guarantee.

In this context, the MFPFED's claim that its model constitutes transfer of ownership of non-wood forest produce to Gram Sabhas, and the Sharma Committee's endorsement of this claim, acquires significance and deserves careful scrutiny. All studies of the MP system available in the literature were either carried out right after co-operativization (Lal and Dave 1991; Marothia 1992) or just before the crucial decision to abolish royalties was taken in 1998 (Bhogal 2000). A rigorous and comprehensive analysis of the MFPFED system<sup>7</sup> is therefore essential to formulating future policy in this sector, not only in MP but also in other states.<sup>8</sup>

<sup>4</sup> According to the websites of the Madhya Pradesh and Chhattisgarh MFP Federations, the sales receipts from tendu leaf in these two states were ₹634 crores and ₹620 crores, respectively, in 2012. In Maharashtra, data shared by the Forest Department show that the state government collected a royalty of ₹140 crores in 2012 and that a sum of ₹84 crores was paid out as collection wages in 2011. In Odisha, the Odisha Forest Development Corporation recorded sales of ₹413 crores for 2011.

<sup>5</sup> See Mitchell et al. 2003. Further corroborated by field data from Madhya Pradesh.

<sup>6</sup> [http://www.mfpfederation.org/website/content/about\\_us.html](http://www.mfpfederation.org/website/content/about_us.html).

<sup>7</sup> While strictly speaking, MFPFED refers only to the state-level federation of co-operatives, in practice, all the three tiers are fully integrated and controlled by MFPFED. So, we use the term 'MFPFED system' to refer to the entire three-tier structure.

<sup>8</sup> Given the negative health implications of beedi smoking (Gupta and Asma 2008), the pressure to reduce beedi consumption is increasing (e.g., Jha et al. 2011). It may therefore be argued that tendu leaf collection is a sunset industry with no future, and policy attention should not be devoted to its perpetuation. While acknowledging its public health implications, we believe that the livelihood importance of this product is unlikely to decrease any time soon, and given the sheer number of people involved in the harvest, and the marginalized status of most of them, tendu leaf policy needs attention in the short run, even if the long run goal may be to provide alternative livelihoods to the pluckers.



We studied the tendu leaf procurement and marketing system in MP during 2010–12 and present the results in this paper. The objective of the study was to understand the strengths and weaknesses of the MFPFED model, and the factors shaping them, so as to inform the debate on future policy regarding tendu leaf procurement and marketing in light of the FRA and PESA. We begin by describing, briefly, the history and current structure and functioning of the co-operative tendu leaf marketing system in MP (section 2). We then outline the conceptual framework (section 3) and the methods (section 4) used in this study. The findings regarding outcomes are presented in section 5, followed by a discussion on what might explain the outcomes observed (section 6). In conclusion, we discuss the policy implications of these findings, especially in light of the changed legal status of the tendu leaf.

## 2

## BRIEF HISTORY AND CURRENT OPERATION OF TENDU LEAF MARKETING IN MP

The emergence of the Jabalpur beedi industry at the turn of the century triggered the search for suitable beedi wrappers, culminating in the choice of the tendu leaf and its emergence as a highly valuable commercial product (Lal 2009). MP is thus the original site of the tendu leaf trade.

During the pre-independence period and up to the mid-1960s, the Forest Department would auction tendu leaf collection rights at a division level and the contractors would then arrange for collecting the tendu leaf using local villagers as wage labourers. A significant amount of tendu leaf also grew on private lands and was disposed of as the landowner pleased. In 1964, citing 'pilferage from government lands adjoining private lands', and 'exploitation of private tendu leaf producers', the state government passed the Madhya Pradesh Tendu Patta (Vyapar Viniyaman) Adhiniyam, 1964,<sup>9</sup> which brought the sale and transport of all tendu leaf, including that grown on private lands, under the control of the government (hence commonly referred to as 'nationalization' of tendu leaf). The Act provided for government-appointed agents to procure the leaf and sell to pre-appointed purchasers across 1,826 leaf-producing units in the state (Shrivastava and Choubey

1968). Clearly, the objective was to prevent loss to government (or maximize revenues) and not to ensure returns to tendu leaf pluckers. Most studies suggest that, in practice, irregularities continued under the state monopoly system (Lal and Dave 1991; Bhogal 2000).

Eventually, the plight of tendu leaf pluckers, who were getting a pittance throughout this period, caught the attention of at least one political party, which also did not benefit from the power of the tendu leaf contractor lobby and may have been concerned about the spread of Naxalism in eastern MP (DN 1989; Bhogal 2000). Thus, the government first created a state-level co-operative federation in 1984 and then, in 1988–89, launched a process of co-operativizing the entire tendu leaf collection and sale process (Lal and Dave 1991; Marothia 1992). Within a year, 1,947 Primary Minor Forest Produce Co-operative Societies (PCSs) were established across the then undivided MP, and clustered under 44 District Minor Forest Produce Unions (DUs)<sup>10</sup>, with the state-level MFPFED as the apex body.<sup>11</sup> The state increased the pluckers' wages by 55% over 1988 (Bhogal 2000), and yet MFPFED made a profit of ₹290 crores, of which ₹150 crores was redistributed among tendu leaf pluckers as 'incentive

<sup>9</sup> *Madhya Pradesh Tendu Leaf (Regulation of Trade) Act, 1964*

<sup>10</sup> Although called District Unions, these bodies are constituted at the level of forest divisions.

<sup>11</sup> Although the mandate of the MFP co-operatives included procurement of all NTFPs, and the state monopoly included seeds of sal (*Shorea robusta*), resin of kullu (*Sterculia urens*) and lac, the focus was primarily on tendu leaves.

wage' (called 'bonus' in common parlance), with the rest being retained by the government as royalty.

A change in government in 1990 resulted in suspension of the policy of distributing part of the profits to pluckers. However, this was resumed in 1995, and then in 1998, the state abolished royalties completely and implemented a policy of redistribution of the entire net profit, partly in the form of additional wages and partly as contributions to certain development funds. The fraction of profit distributed as additional wages was initially 50%, which was raised to 60% in 2006. The MFPFED has also implemented additional policies for the welfare of the pluckers, such as group insurance and scholarships for children of the pluckers. MFPFED also deals in two other 'nationalized' NTFPs, viz., sal seeds and kullu gum. More recently, it has launched the processing of herbal products and honey. However, the sale of tendu leaves is by far the most dominant business, constituting 93% of the revenues in 2009–10.<sup>12</sup> Following the separation of Chhattisgarh state from MP in 2000, MP is left with 1,066 PCSs, and today, these PCSs are organized into 61 District Unions (see Table 10 in Appendix 2).

A detailed description of the current structure, operation and official governance system of the MFPFED system is provided in Appendix 2. In brief, the system works, or is supposed to work,<sup>13</sup> as follows.

1. **Tendering:** MFPFED calls for tender bids for each PCS (or 'lot')<sup>14</sup> in November of the year, i.e., six to seven months preceding the harvesting season. This system is called pre-harvest tendering.<sup>15</sup> Prospective buyers have to satisfy certain conditions before they can bid. The tender notice is issued by MFPFED from Bhopal, but bids are opened and contracts awarded concurrently in three locations: Bhopal, Jabalpur and Rewa. The highest bidder for a particular lot generally secures the contract, and 8% of the bid amount is taken as security deposit so as to ensure that the buyer will buy the leaves from that lot in the coming season. However, the actual payments for the plucked leaves are made in four instalments beginning the following October (after the harvest has been completed).
2. **Pruning:** Pruning of tendu bushes is carried out in February–March, roughly 45–60 days prior to the harvest season, so as to encourage growth of tender leaves. Funds for this activity are supposed to come from a Forest Development Fund created out of the profits from tendu sale.
3. **Plucking:** The tendu leaf harvest begins sometime in May when the phad (the place where the tendu leaf is collected and dried) is 'opened'. Tendu leaf pluckers, often entire families, leave early in the morning for leaf collection and return home in the afternoon to sort and bundle the leaves (50 leaves per bundle) and submit them at the phad by the evening. The Phad Munshi (collection centre clerk), who is an employee of the PCS, receives and counts the bundles and enters the amount in the plucker's card. Each PCS sets up several phads, one in each village or group of villages under its jurisdiction, for ease of collection.
4. **Post-harvest processing:** The contractor (who has been awarded the contract for that particular lot) sends specialized labourers to dry and pack the leaves in the phad, after which the packed bags are taken to godowns (often owned by the MFPFED but rented to the contractors) and eventually sold in the market after being sorted and graded.



**Figure 1. Tendu bush pruning in progress**  
(All photos by R. Venkat Ramanujam)

<sup>12</sup> Annual Report of the MP MFP Federation, 2009–10

<sup>13</sup> We outline here the process as officially described, and indicate the field realities in later sections. See also (Bhogal 2000a).

<sup>14</sup> The 'lot' for which tender is called is usually identical to the PCS, except where the leaf production in one PCS is inadequate, in which case, two PCSs may be clubbed together to form a lot. Thus, 1,066 PCSs are currently aggregated into 937 lots.

<sup>15</sup> Pre-harvest tendering was adopted in 2004, before which the system was post-harvest auctioning, and involved some risk since sale prices would be known much after collection had already been carried out and wages paid.



Figure 2. Plucking of tendu leaves in progress: from trees (left) and bushes (right)



Figure 3. Bundling of plucked leaves at home before taking them to the phad

Figure 4. Submitting bundles of plucked leaves at the phad to the Phad Munshi

5. **Payment to leaf pluckers:** Payment for the collected leaves is made in two phases. A 'collection wage' is announced by MFPFED before the starting of the plucking season (with the decision actually being made by the state cabinet). This 'wage' is a rate or price to be paid per Standard Bag (SB) of leaves (i.e., 50,000 leaves), and is uniform across all PCSs. Payment as per this rate is made in cash within a few days of the plucker submitting the leaves at the phad.

The second part of the payment, formally called an 'incentive wage' but colloquially referred to as

'bonus', is made much later, typically 14–18 months later. It is calculated separately for each PCS and is set at 60% of the 'net profits', where profits are defined as receipts from sale of tendu leaves minus administrative costs. Four per cent of the net profits are transferred to the corpus of MFPFED, and the remaining 36% is equally divided between two funds – the Village Development Fund and Forest Development Fund (mentioned above).<sup>16</sup> The collection and incentive wages are paid in proportion to the tendu leaves collected (or rather, the amount entered in each plucker's card).

<sup>16</sup> The MFPFED website does not mention the 4% contribution to corpus, but this information was provided by a former Managing Director of the MFPFED. The website also does not explicitly talk about the two funds, but these terms were used by many officers we spoke to. As mentioned later, the management of this part of the profits is not very transparent.

6. **Cash flow:** The pluckers are paid their collection wage within a few days of the harvest; whereas the payments by the contractor to the MFPFED are made over a period of several months after the harvest. Therefore, working capital is a crucial requirement. The MFPFED advances money to the PCSs for the payment of the collection wage and then recovers this advance from the payments received in instalments from the contractor (all payments being received centrally, and not by individual PCSs).

7. **Functions across the three-tiers:** The bye-laws of the three tiers of the co-operative marketing system (PCS, DU and MFPFED) are worded in very broad terms,<sup>17</sup> which do not give the real picture of which body performs what functions. In practice, as the above description indicates, the multi-village PCS conducts pruning and tendu leaf collection, and distributes the collection wage. The DU links the PCSs to the MFPFED as far as tendu leaf collection is concerned, and is involved in the auctioning of other NTFPs. The functions of the state-level MFPFED, as given in the bye-laws, are very broad and vague. However, in practice, the MFPFED conducts the auctions on behalf of all PCSs, handles security deposits, advances and contractor payments, comes up with the annual accounts for each PCS, sets the 'collection' wage for the state as a whole and the 'incentive' wage for each PCS.

8. **Governance of the PCS:** All adults who collect tendu leaves are entitled to become members of the PCS upon the payment of a very nominal membership fee and share price. These members elect eleven members to a Prabandh Samiti (Executive Committee) for a term of five years, along with two members who are nominated by the Divisional Forest Officer (DFO). The Samiti is the governing body of the co-operative society. It is supposed to appoint the Prabandhak (manager) and the Phad Munshis. It is also supposed to arrange for actual sale of the tendu leaves (and other NTFPs) and decide on distribution of profits so obtained. It is expected to ensure scrutiny of accounts and prepare annual accounts and reports and present the same to the general body of the society.

9. **Governance of the DU and the MFPFED:**

The members of all Prabandh Samitis under one district or forest division elect, from among themselves, the ten-member board or Sanchalak Mandal of the DU, of which the corresponding

Divisional Forest Officer is the Prabandh Sanchalak (Managing Director). All DUs in turn elect nine members to the Board of Directors of the state-level MFPFED, with another three being nominated by the government and six being ex-officio from the departments of forests, co-operatives, tribal welfare, and so on. The Chairperson of the Board of MFPFED is usually appointed by the Registrar and may be a minister of state or member of the legislative assembly (MLA). The day-to-day operations of the federation are handled by officers on deputation from the Forest Department (see [www.mfpfederation.org](http://www.mfpfederation.org) for details).

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<sup>17</sup> For instance, 'entering into commercial and financial transactions' and 'determining a pricing policy for commodities' (MPMFPCF n.d.).

## 3

# CONCEPTUAL FRAMEWORK

How should we assess and understand the achievements of the MFPFED system in MP? The framework for any such study would consist of two parts. The assessment of outcomes would require a normative framework that specifies what a co-operative procurement and marketing system with a monopoly on a forest product should be expected to deliver, and how one would measure progress towards these normative goals. Further, the explanation of success or failure in achieving these goals would require a theoretical framework that would identify a potential set of factors likely to influence the co-operative system's ability to deliver on these expectations. Using the literature on co-operative marketing and the MFPFED's own stated goals, we discuss here what would be a reasonable set of criteria for assessing performance, indicate which ones we chose and why, and how each of them were operationalized. Finally, we discuss what theoretical framework may be used to explain high achievements or shortcomings (if any) along criteria.

## 3.1 Criteria for assessing performance

The literature on marketing and co-operative marketing in general (Vergroesen 1989; Nilsson 2001; Zeuli et al. 2004) and the policy literature associated with the setting up of co-operatives for collection and marketing of NTFPs in India (Bawa *et al.*, 1971) provide several rationales for setting up such co-operatives and therefore indicate what the expectations from them should be. These expectations have evolved from being purely economic ones of maximum gain to the NTFP collectors to also focusing on the question of empowerment of members, and (in the context of natural resource-based co-operatives) on ecological impact. Furthermore, in the context of a federation, the question of fair sharing of the burden of co-operation also becomes relevant. Thus, one may derive the following specific criteria under the four broad rubrics of efficiency, equity, sustainability and democratic governance:

### 1. Efficiency

- a. **Effectiveness:** In setting up NTFP-marketing co-operatives, state governments in India

have invoked the 'middle-men exploiting NTFP collectors by offering them low prices' as the main reason for setting up such co-operatives (see e.g., Bawa and others, 1971). Thus, the first and foremost objective of any NTFP marketing system, co-operative or otherwise, is to obtain the best possible price for the NTFP collectors.

**b. Collector share and its timely distribution:**

Whatever price is obtained in the market, an efficient marketing system would ensure that most of this price is passed on to the collectors. This would mean minimizing administrative costs and 'profits' to the co-operative.<sup>18</sup> MFPFED also claims that the main objective was to 'give benefits to forest dwellers in collection and trade of forest produce'.<sup>19</sup> Thus, it is appropriate to investigate whether this is the case and whether the collectors are getting the maximum possible share in the selling price obtained by the co-operative. An associated aspect is whether the collector's share is distributed in a timely manner.

**c. Additional service delivery:** In the context of co-operatives such as MFPFED that take on additional non-economic or welfare tasks, such as insurance for tendu leaf pluckers and education scholarships for children of leaf pluckers, one needs to separately assess to what extent such tasks are being effectively carried out.

**2. Inter- and intra-PCS fairness:** In a federation of co-operatives, it is possible that the burden of supporting the federation is unevenly distributed across the member co-operatives or that the benefits are unevenly shared. Thus, 'inter-PCS fairness' becomes an important criterion. Similarly, at the level of the PCS itself, the benefits must be fairly distributed, which in the case of a marketing co-operative means that those who contribute the most produce and the best quality produce must get the highest returns. (Shah 1995).

**3. Financial and ecological sustainability:** For financial sustainability, any co-operative society must ensure that the manner in which operations are conducted do not result in continued losses and that it has the financial capital (working capital and reserves) to carry on operations in the future. Furthermore, for a co-operative that depends upon harvest of a forest product, managing harvest in a way that ensures continued availability of the product in the future should be a key objective. However, ecological

sustainability is not a stated objective of MFPFED.

The matter of regulating harvesting practices is left to the Forest Department, which continues to 'own' and manage forest land and exert control on the ground. So, we focused on financial sustainability and only offer a few limited observations and summary of the debate on ecological sustainability.

**4. Democratic governance:** The essence of co-operation is the voluntary association of individuals for conducting activities, controlled by them in a democratic manner (Dunn 1988; Österberg and Nilsson 2009). As mentioned earlier, the Sharma committee also lauded the MFPFED system for democratic decentralization. By adopting the co-operative model to re-organize the tendu leaf trade, the MP government committed itself to decentralizing decision-making in favour of tendu leaf pluckers and promoting their empowerment. The government further reiterated this position after the passage of the PESA by claiming that the MFPFED system amounts to transfer of rights and powers to the Gram Sabhas as required under PESA, which is a legislation regarding self-governance by Scheduled Tribe communities. Thus, self-governance of the co-operatives by its members in a democratic manner should be a core expectation from this system.

### 3.2

#### Assessing effectiveness, collector share and additional service delivery

Effectiveness in capturing better prices can be assessed in different ways. In a 'before–after' comparison, one would see whether prices were better after co-operativization than before. In a 'with–without' comparison, one would compare prices under the co-operative model with those obtained in other models. In an 'absolute' comparison, one would examine what fraction of the final retail price of leaves sold to the beedi makers is captured by the co-operative, after deducting legitimate costs for processing, transport, wastage and marketing incurred by the tendu leaf contractor. The 'before–after' comparison would be truer to site conditions (since the same site is being examined over time), but it would be misleading if, for instance, product prices are rising or fluctuating because of reasons not related to co-operativization. Indeed, the market for tendu leaf has been quite volatile (Lal and Wilson 2012). On the other hand,

<sup>18</sup> Indeed, in the case of marketing co-operatives, the statutes limit them from making significant 'profit' by capping the dividend paid on share capital at a maximum of 6%

<sup>19</sup> [http://www.mjpfederation.org/Website/content/about\\_us.html](http://www.mjpfederation.org/Website/content/about_us.html)

given that the entire state is under co-operative marketing, a 'with-without' comparison requires us to compare across states, which is complicated by variations in tendu leaf quality and processing levels. The absolute approach would require data on what the 'legitimate' costs of the contractor might be. We shall present data using all three approaches and look for convergence between them.

The collector share was the sum of the collection and incentive wages divided by the tender price for each PCS. This was compared with the collector share in other states and also examined over time. It was also broken down into administrative costs and 'profit', and the manner in which profit was distributed, was examined. The delay between pluckers receiving the first payment (collection wage) and receiving the final payment (incentive wage) and the difficulties (if any) in obtaining the final payment were also assessed.

The effectiveness of welfare schemes, viz., group insurance and scholarships for children of tendu leaf collectors, was assessed by looking at ground-level data on awareness about the schemes, and the smooth disbursement of the benefits. (We do not address the larger question of whether such schemes should be taken up at all and by whom and at what scale.)

### **3.3 Assessing inter- and intra-PCS equity**

Within a primary co-operative society, if benefits are distributed in proportion to produce contributed, one may say that the primary requirement of intra-PCS equity is met. However, given that the primary co-operative societies are further federated, the question of whether one society is forced to cross-subsidize another is something that also requires attention. This can happen if inter-PCS variations in leaf quality are not factored into the returns accruing to the members. Secondary data on the manner in which auctions were conducted and wage and bonus amounts distributed were examined to explore this aspect.

### **3.4 Assessing financial and ecological sustainability**

The marketing of tendu leaves does not involve any major investments in equipment or fixed capital, since

the leaves are sold without processing in MP (and even the processing is done manually). The question of competition from other sellers does not arise, because virtually the entire tendu leaf resource in the state (other than a small amount of private tendu trees) is being controlled under this system. The only question is whether the money paid out to leaf pluckers is adequately recouped, or whether fluctuating prices or defaulting contractors cause losses, thereby jeopardizing the working of the co-operative. We assessed this by examining the financial record of MFPFED and the manner in which funds are paid out and recouped.

Assessing the ecological sustainability of tendu harvesting would be a major task, and as mentioned above, we neither had the wherewithal to carry out the required ecological studies, nor did ecological sustainability seem part of the mandate of the MFPFED system. Nevertheless, we did examine the trend in tendu leaf harvests to see if there were any systematic declines and also discussed the pros and cons of tendu leaf harvesting and management practices with tendu leaf pluckers and Forest Department officials to gain some idea of the challenges and debates involved.

## **3.5 Assessing democratic governance**

The essence of co-operation is the voluntary association of individuals for conducting activities of common interest and managing them democratically. By adopting the co-operative model to re-organize the tendu leaf trade, the MP government committed itself to decentralizing decision-making in favour of tendu leaf pluckers. The government further reiterated this position post-PESA by claiming that the MFPFED system amounts to transfer of rights and powers to the Gram Sabhas under PESA. While such transitions may take time, it would be fair to expect that over a 25-year period (1988 to 2013), the control of the co-operatives would reside with the pluckers or the Gram Sabhas as a whole, that they would choose office-bearers who would then organize pruning, collection and auctioning of the product. To estimate the progress made in this direction, we interviewed leaf pluckers, Phad Munshis and functionaries of the co-operative societies at primary, district and state levels. In the interviews with pluckers and office-bearers of primary co-operative societies, we specifically asked questions about whether they were aware of the democratic processes involved in running co-operatives (e.g., regular elections



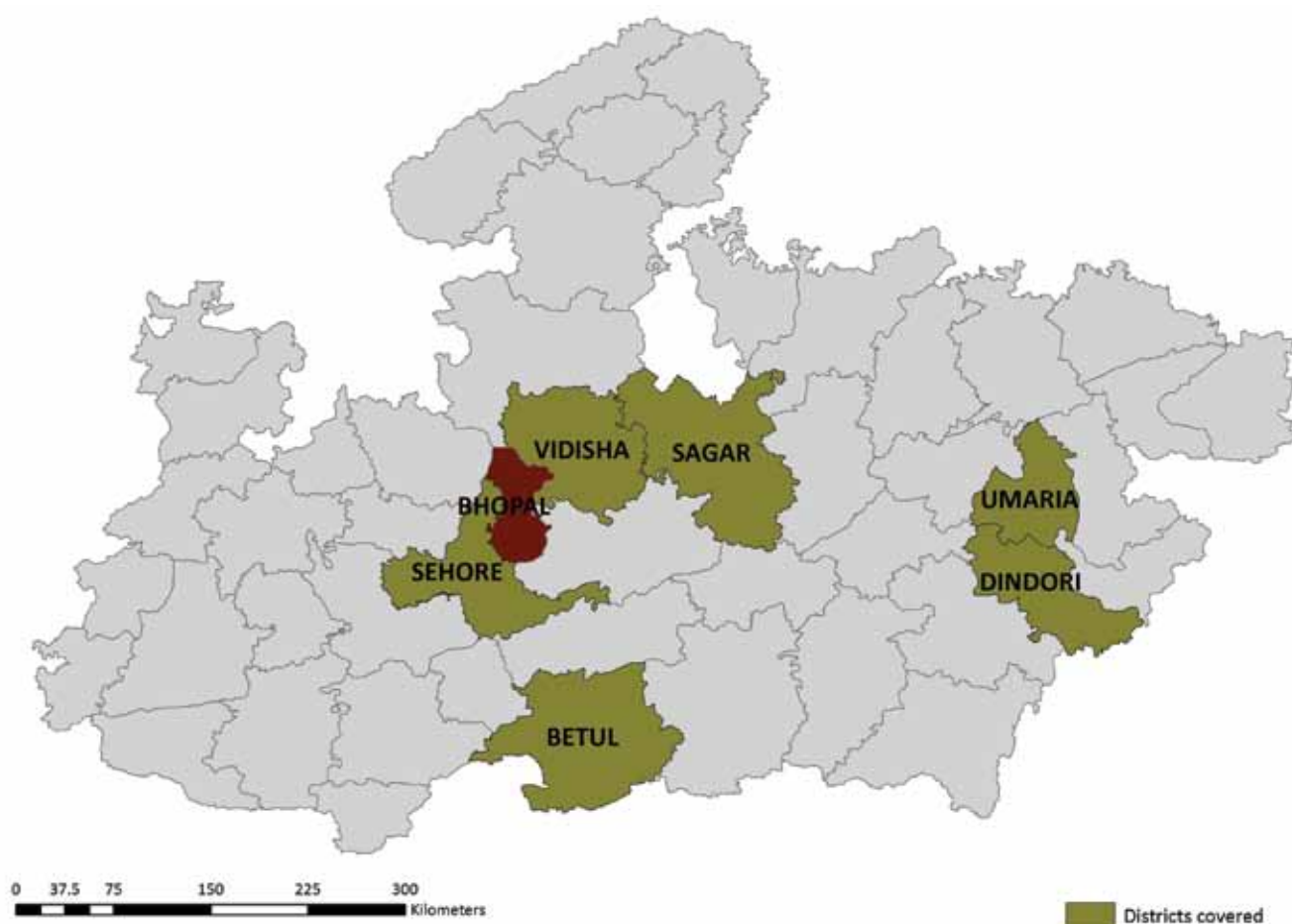


Figure 5. Location of districts of Madhya Pradesh state within which Primary Co-operative Societies were sampled (Bhopal is the state capital, where MFPFED is located). (Map prepared by ATREE Ecoinformatics Lab.)

of office-bearers, regular general body meetings). Office-bearers were asked when and how they were elected, the level of autonomy from above, and their accountability towards the general body.

### 3.6 Explaining outcomes

What would explain adequate or inadequate outcomes on the above dimensions? We start with a combination of institutional analysis and political economy frameworks similar to the one used in Lélé and Rao (1996). Co-operatives are collective action institutions, and the institutional analysis literature posits that the performance of such institutions depends upon two sets of factors: conditions 'external' to the institution itself, including nature of the resource, member interest, market

conditions, and political support, and the 'internal' design or structuring of collective action (Shah 1995). Designs are, however, not created in a vacuum. Co-operatives occupy a space earlier occupied by someone else, and therefore their creation and design are the outcome of tussles between political forces representing various interest groups. Political economy helps us explain (within limits) why particular institutional designs were adopted (or not adopted), by asking whose interests were served. This is particularly relevant in this case where the co-operatives were not formed bottom-up but were created by the state, and in whose governance, the state continues to play a major role.

# 4

## METHODS

Fieldwork for the study was conducted from 2010–12 in six districts of MP: Betul, Dindori, Umaria, Sagar, Vidisha and Sehore. These districts were chosen as representing regions with high tendu leaf availability but varying adivasi fraction in the population and varying access to beedi manufacturing units, using the 2001 Population Census data for Madhya Pradesh, interviews with MP FD officials, and initial pilot visits. We focused particularly on Betul, Dindori, and Umaria, where adivasis comprise 40–65% of the population, and Sagar, which is a major site of the beedi-making industry. Twenty-five PCSs were covered across eight District Unions: West Betul, North Betul, Dindori, North Sagar, South Sagar, Sehore, Umaria and Vidisha.

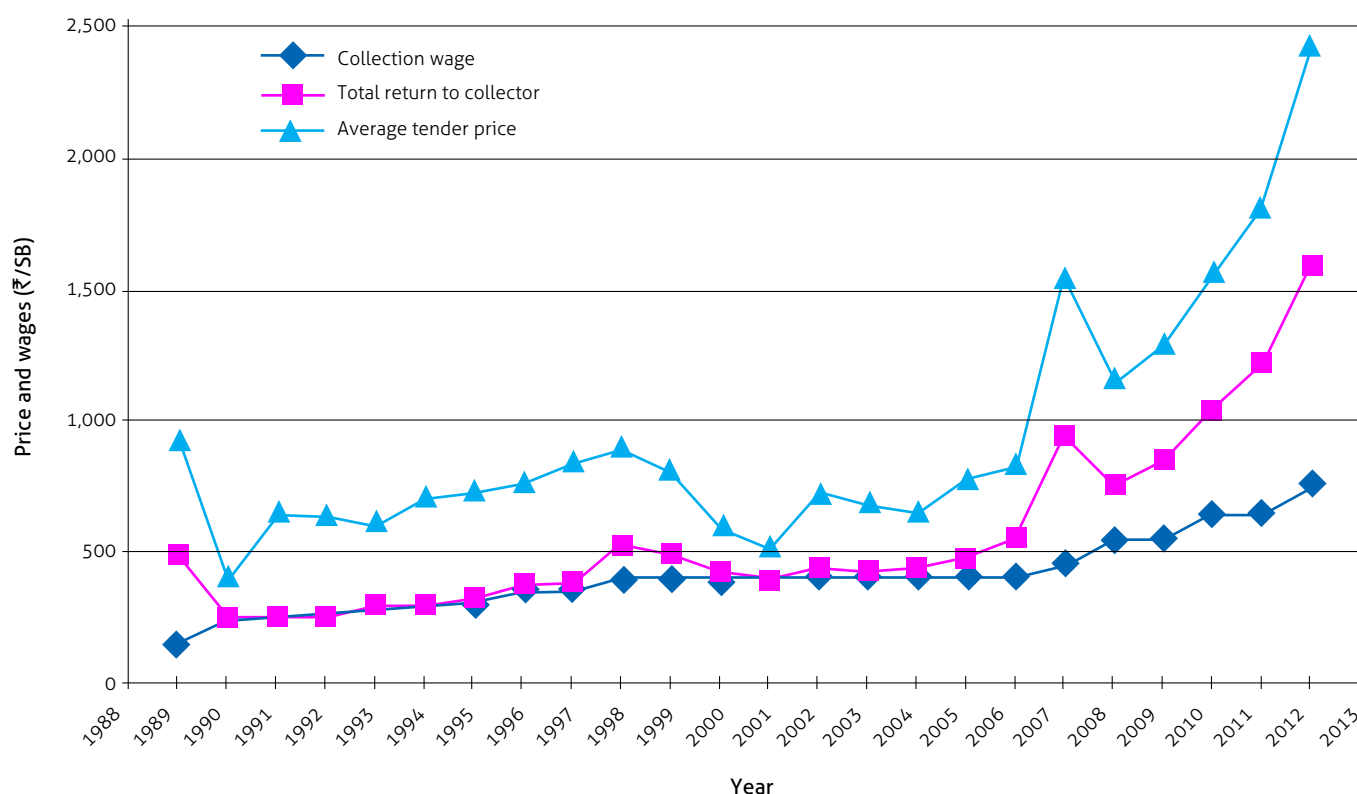
In these PCSs, focus group discussions were conducted with leaf pluckers, including separate discussions with women leaf pluckers. Gram Sabha meetings were used to interact with leaf pluckers. Household data on socio-economic status and NTFP collection was gathered from 125 households across four villages. Ten Phad Munshis were interviewed to understand the process of procurement, variations and key issues at the level of the collection centre. For an overview at the level of the PCS as well as the District Union,

interviews were conducted with Prabandhaks, District Union clerks, and elected representatives across the study area. Participant observation, which included accompanying leaf pluckers to the forest, observing the tying up of bundles, and their deposition at the phad, was carried out during the 2011 collection season in three PCS: one each in Betul, Sagar, and Umaria districts. Informal interviews were conducted at this time with the contractors' staff employed in tendu leaf curing and processing at the phad.

To understand the functioning at the state-level and the role of the Forest Department, 22 forest officials, ranging from forest guards to a retired Principal Chief Conservator of Forest closely associated with MFPFED were interviewed. Seven tendu leaf contractors and two contractor-turned-beedi-manufacturers were interviewed to understand the tendu leaf trade from the point of view of intermediaries and end-product makers. Eleven other interviews were conducted, covering journalists, social activists, NGO workers, academicians, researchers and ex-MLAs. Secondary data was gathered from the PCS and District Unions, and the MFP Federation. Government orders and other archival materials were obtained from advocate, Anil Garg.

## 5

## PERFORMANCE



**Figure 6. Trend in collection wage and total return to collector as compared to average tender price**  
(Source of data: MFPFED)

We present here our findings regarding the four dimensions along which we would like to assess the performance of the MFPFED system.

## 5.1 Effectiveness, collector share and additional service delivery

### 5.1.1 Effectiveness

The time-series of average sale price received and wages and bonuses paid is presented in Table 1. As mentioned

earlier, the MFPFED system performed well in its first year of operations (1989), when prices obtained and wages paid were much higher than the previous (pre-operativization) year, as described in section 2. It continued to fare well for several years, as sale prices rose slowly, but then declined in 2001 and remained relatively stagnant after that till 2005, and wages grew even more slowly (see Figure 6). Prices began to increase rapidly after 2005, but data from Odisha state<sup>20</sup> indicate that this trend prevailed there too and therefore was most likely the result of overall trends in the tendu leaf market. It is thus hard to conclude anything from just looking at sale prices in MP alone.

<sup>20</sup> B. Lakshmi. 2012. *Value-chain analysis of kendu leaf in Odisha. Unpublished internship report, ATREE.*

Table 1. Time series of average tender prices, wages, estimated net profits, and estimated administrative costs for tendu leaf

Year	Average tender price (TP) (₹/SB)	Collection wage (CW) (₹/SB)	Collection wage as % of average tender price	Net profit (₹/SB)	Incentive wage (IW) (₹/SB)	Incentive wage as % of net profit	Total return to plucker (₹/SB)	Total return to plucker as % of TP	Administrative expense (₹/SB)	Administrative expense as % of TP
1989	930	150	16%	667	344	52%	494	53%	113	12%
1990	410	250	61%	68	0	0%	250	61%	92	22%
1991	651	250	38%	261	0	0%	250	38%	140	21%
1992	641	250	39%	194	0	0%	250	39%	197	31%
1993	617	300	49%	137	0	0%	300	49%	180	29%
1994	712	300	42%	214	0	0%	300	42%	198	28%
1995	735	300	41%	235	27	12%	327	45%	200	27%
1996	763	350	46%	159	28	17%	378	50%	254	33%
1997	848	350	41%	240	38	16%	388	46%	258	30%
1998	901	400	44%	285	127	44%	527	58%	217	24%
1999	819	400	49%	244	98	40%	498	61%	175	21%
2000	598	400	67%	57	25	44%	425	71%	141	34%
2001	523	400	76%	LOSS	0	0%	400	76%	239	46%
2002	732	400	55%	99	36	37%	436	60%	232	32%
2003	689	400	58%	56	25	44%	425	62%	232	24%
2004	652	400	61%	86	46	53%	446	68%	166	25%
2005	781	400	51%	146	79	54%	479	61%	235	30%
2006	842	400	47%	283	153	54%	553	66%	160	19%
2007	1,543	450	29%	978	490	50%	940	61%	115	7%
2008	1,158	550	48%	409	212	52%	762	66%	198	17%
2009	1,296	550	42%	564	303	54%	853	66%	181	14%
2010	1,569	650	41%	723	389	54%	1,039	66%	196	12%
2011	1,817	650	36%	914	576	63%	1,226	67%	253	14%
2012	2,433	750	31%	1,490	938	63%	1,688	69%	194	8%

Notes: SB = Standard Bag = 50,000 leaves. All data are from MFPED records. Note that the creation of Chhattisgarh in 2000 led to a drop in the average tender price in MP because the Chattisgarh portion generally has better quality tendu leaves. Shaded cells refer to the period when the state was collecting royalties.

To better assess how well MFPFED is performing in terms of obtaining the best possible price, we compared the average sale price obtained by the MFPFED system with the average sale price in Odisha as a whole and Gadchiroli district of Maharashtra for which data were available.<sup>21</sup> We found that the average sale price of tendu leaves in MP is significantly lower than the average sale price in the other two states (see row 4 in Table 2), even after correcting for processing margins in Odisha (where the government agency itself does sorting and bagging before auctioning the leaf). Further, this is not peculiar to the year 2011: in 2006, the average sale price in MP was ₹842, while in Odisha it was about ₹2,250 (after deducting processing costs, as in Table 2).

To correct for any bias due to leaf quality, which is supposed to be better in Odisha and in Gadchiroli district of Maharashtra compared to MP as a whole,<sup>22</sup> we then examined the prices obtained in the PCSs with the best quality leaves. In our sample of 25 PCSs, Bandhvavra PCS in Umaria district obtained the highest tender price of ₹2,557 in 2011. Even this price is substantially lower than the average of ₹3,180 in Gadchiroli or ₹3,820 averaged across Odisha.

Finally, we also estimated the share of the tender price in the 'final sale price' obtained by the tendu leaf contractor from the beedi manufacturer. The exact final sale price is not officially known and not easily divulged.

**Table 2: Comparison of sale price obtained by government for tendu leaves in three states**

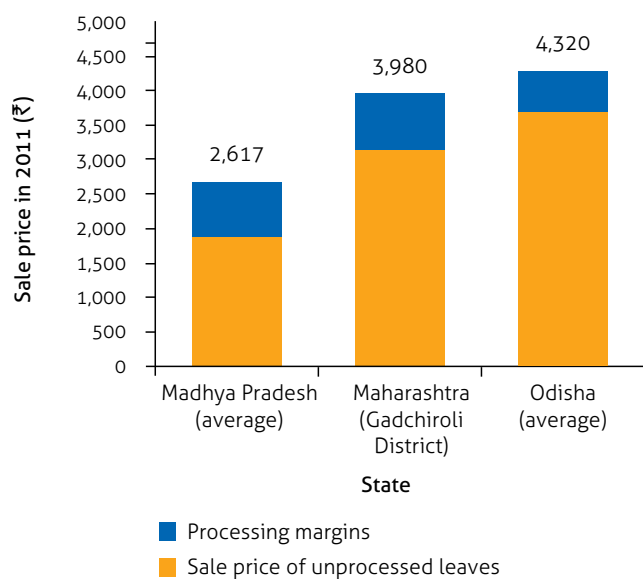
State	Madhya Pradesh	Maharashtra (Gadchiroli district)	Odisha
Structure	Co-op and bonus; pre-harvest tendering of each lot/ PCS	No co-op, but bonus, pre-harvest tendering of each lot	No co-op, no bonus, post-harvest auction of aggregated and processed leaves
Average final sale price of processed leaves in 2011 (₹/SB)	2,617 (estimated)	3,980 (estimated)	4,320 (actual)
Average final sale price of unprocessed leaves in 2011 (₹/SB)	1,817 (actual)	3,179 (actual)	3,820 (estimated)
Average return to pluckers in 2011 (₹/SB)	1,226	2,867	730
% to plucker of sale price of processed (unprocessed) leaf	47% (67%)	72% (90%)	17% (19%)

Notes

1. SB = Standard Bag of 50,000 leaves.
2. Figures for Maharashtra represent average of three lots of varying quality from Gadchiroli district.
3. Estimate of selling price of processed leaves in MP and Maharashtra assumes a ₹800 markup (that includes ₹400 as processing costs).
4. Source of data: Records of respective state tendu leaf marketing organizations, and field data collected by authors and colleagues in Odisha and Maharashtra.

<sup>21</sup> Based on data collected by Safia Aggarwal, ATREE.

<sup>22</sup> Based on interviews with wholesale dealers of tendu leaf.



**Figure 7. Sale price of processed and unprocessed tendu leaves across states**

(Source of data: Records of respective state tendu leaf marketing organizations, and field data collected by authors and colleagues in Odisha and Maharashtra.)

Nevertheless, extended conversations with tendu leaf contractors in six District Union jurisdictions gave some indication of the final sale price, which is provided in Table 3. Even if one allows ₹400/SB as processing and transport costs for the tendu leaf contractor (which is 14–20% of the final sale price), we see that the contractor's margins are at least 20% and often 26% of the final price or a ~40% markup on the unprocessed leaf price. It should be noted that contractors are likely to give us underestimates of the prices at which they sell their product. Thus, the actual margins are likely to be higher, around 30–40%. This is also corroborated by data we obtained on final processed leaf sale prices from dealers in Bangalore, Maharashtra and Chhattisgarh. In short, whether one compares the tender price of unprocessed or processed leaves across regions with similar leaf quality, or one compares the tender price obtained by MFPFED with the price at which the 'tenderer' (the tendu leaf contractor) is able to sell the leaf to beedi makers, it seems clear that the MFPFED is at best moderately effective in obtaining the best possible prices for tendu leaf.

**Table 3. Average District Union-level tender price as a proportion of the estimated 'final sale price' for the year 2011**

District Union	Average tender price in 2011 (₹/SB)	Estimated final sale price to beedi makers (₹/SB)	Average tender price as proportion of final sale price
North Betul	2,126	3,483	61%
West Betul	2,386	3,483	68%
South Betul	2,196	3,483	63%
North Sagar	1,521	2,522*	60%
South Sagar	1,469	2,522*	58%
Umaria	2,065	3,360	61%

#### Notes

The average tender prices were obtained from the MFPFED website. The average sale price was calculated by estimating the final sale prices for different grades of leaf from interviews with contractors and beedi makers, and applying them to quantities of each grade sold in each DU, after allowing for a 5% loss of leaf between procurement and final sale.

\* The final sale prices in Sagar tend to be artificially low because local beedi manufacturers are themselves tendu leaf contractors, and so they indicate a low price for the leaf and capture the margin in the beedi business.

### 5.1.2

#### Collector share

The next question is to what extent the prices obtained from the co-operative marketing of tendu leaves reach the pluckers. At the outset, it is important to note that, in the 1989–98 period, there was an inherent tension between the objective of maximizing state royalties and that of maximizing returns to pluckers. The suspension of the bonus system between 1990 and 1994 is a reflection of this tension. Once the government dropped the objective of collecting royalties in 1998, one would expect that there would be a full sharing of the sale price. However, closer examination indicates a significant and multi-dimensional gap between tender prices and returns to the pluckers.

The first gap occurs due to administrative costs. The magnitude of and trend in these costs is provided in Table 1. While administrative costs are inevitable, the initial period of MFPFED, right up to 2005, was clearly characterized by bloated administrative costs (31% of the tender price). Subsequently, the administrative cost margins have decreased to 7–14% of the tender price, possibly because the tender price itself has increased post-2005, so that a lower percentage is required to cover the relatively fixed administrative costs.

In absolute terms, the administrative costs are about ₹50 crores annually, i.e., averaging around ₹5 lakhs per

PCS. This is in spite of the fact that the forest officers, who play significant roles as Prabandh Sanchalak at the DU level and nodal officer at the PCS level, only receive token honoraria. In comparison, administrative costs in Maharashtra, which has a much lower turnover, have been fixed at 15% of the royalty amount since 2005,<sup>23</sup> which works out to only about 7–8% of the total income (i.e., royalty plus collection wage, see MFD 2012a), a level that MP has only now begun to approach.

Even though administrative costs are now low, the plucker is receiving only about 66% of the average tender price (see Table 1, column 9, and also Table 4). The lower share in MP is the direct consequence of the MFPFED policy of returning only 60–68% of the so-called net profits (tender price minus collection wage minus administrative costs) as bonus (i.e., incentive wage). The rest (32–40% of the tender price) is diverted to the corpus and the two development funds.

When compared to other states, MP is somewhere in the middle in terms of fraction of tender price officially given to the pluckers. On the one hand, Odisha pays no bonus, whatsoever, extracting all the surplus in the form of royalty, commission and taxes, and the collector share in the final sale price of unprocessed leaf is estimated to be only 19% (see Table 2). Similarly, Rajasthan also extracts royalty, and does not share profits with the pluckers (although there is a provision for doing so), resulting in a plucker share of 54% of the unprocessed

**Table 4. Total returns to the leaf pluckers as a proportion of the tender price for the year 2010 for select sampled PCSs**

District Union	PCS	Tender price (₹/SB)	Collection wage (₹/SB)	Incentive wage (bonus) (₹/SB)	Total returns (₹)	Total returns as % of tender price
N. Betul	Dhar	2,129	650	709	1,359	64%
	Shahpur	1,908	650	590	1,240	65%
N. Sagar	Bhangarh	1,632	650	132	782	48%
	Bara	1,009	650	No bonus	650	64%
S. Sagar	Arjuni	1,289	650	230	880	69%
	Nanhi Deori	958	650	44	694	72%
Umaria	Bandhwawara	2,565	650	956	1,606	63%
	Kohka	1,960	650	629	1,279	65%

(Source: Data collected from PCS offices.)

<sup>23</sup> The tendering system in Maharashtra is different from that in MP, in that the contractors only bid the royalty amount, and pay the 'collection wage' separately and directly to the pluckers. Hence, 15% of the royalty amount works out to about 7–8% of the total (royalty + collection wage), which would be equal to the tender price in MP.

leaf price. On the one hand, Maharashtra returns 100% of the so-called net profit in the form of bonus payments to the collectors, a policy implemented starting 2006 (MFD 2012b), which amounts to 90% of the price paid by the contractor for unprocessed leaf. Clearly, MP is doing a better job than Odisha or Rajasthan, but could do better if it did not impose the development 'taxes'.

Does the development fund money indirectly return to the pluckers? On the MFPFED website, it is mentioned that the 20% that goes to the Village Development Fund can also be distributed in cash to the pluckers. However, we did not find a single instance in any of the 25 sampled PCSs of such disbursement actually taking place.<sup>24</sup> Moreover, a village development fund, if distributed, would go to all villagers, not to pluckers in proportion to the leaves they plucked. Finally, although the government order<sup>25</sup> on this distribution specifies that both the funds are to be spent by the PCS as per the directions of the Forest Department and the MFPFED respectively, none of the PCS office-bearers that we interviewed even knew about the two funds or how they are managed. No details regarding the revenues and utilization of these funds could be obtained from the MFPFED either. Thus, this policy effectively imposes a 40% 'tax' on the so-called net profits from tendu leaf production (if one assumes that the collection is just the minimal return to their labour).

In addition to the quantum of return, there is also a question of timing. First, the ratio between the first payment (collection wage) and the second payment (bonus) is unfairly and unnecessarily low. The average tender price in 2012 was ₹2,433 per SB, and this price was known beforehand, since (as explained earlier) the system is a pre-harvest tendering system. So, nothing prevented MFPFED from declaring a first payment (collection wage) of at least 75% of the tender price obtained in that PCS, which would on average be more than ₹1,800 per SB. Instead, the collection wage was set at ₹750 per SB. For areas with good quality leaves, the collection wage is hardly one-third of the tender price (see Table 4). Indeed, it appears that, over time, the collection wage fraction has declined: while the average price realized by the MFP Federation has increased nearly five-fold from ₹523 to ₹2,433 per SB between 2001 and 2012, the collection wage has

barely doubled. In 2001, it was ₹400 per SB; by 2012, it had merely risen to ₹750 (see Figure 6). In comparison, Chhattisgarh state had declared a collection wage of ₹700 in 2010 itself and raised it to ₹800 in 2011 and ₹1,100 in 2012.

Second, the time period between the two payments is unacceptably long. Tendu leaves are collected during May–June. Drying and bagging is over in June. The contractors can easily be asked to pay up all their dues within two months and all calculations can be finished by October or so. It should therefore be possible to distribute the bonus by Diwali. MFPFED officials insist, however, that smaller contractors cannot manage the cash flow; they can only pay their dues to the PCS/ MFPFED after they have, in turn, received payments from beedi manufacturers. However, this means that the cost of the tendu leaf contractors' working capital is being borne by the tendu leaf pluckers!

MFPFED also advanced another reason: the need to complete the societies' audited accounts, which only happens after 31 March, the end of the financial year. However, the only reason to wait for full accounts is to estimate the administrative cost, which (after twenty-five years of operation) is surely quite well-estimated. As discussed earlier and seen from the last column of Table 1, administrative costs have been below 17% of the tender price for the last several years. The practice in many other co-operative societies is to estimate the administrative costs in advance, deduct a flat rate from the tender price, and return the remaining amount to the collectors soon after the buyer has paid up (e.g., arecanut co-operatives observed by the first author in Uttara Kannada district, Karnataka, or the Gujarat milk co-operatives). This also forces them to keep an eye on administrative costs. However, this practice has not been followed here.

Furthermore, in practice, there are major deficiencies even in the payment of the collection wage and the bonus. In many of the PCSs we studied, the pluckers complained of the Phad Munshi manipulating accounts to the detriment of the pluckers. For instance, in Chapwaar Village under the Nighori PCS of Dindori, leaf pluckers were reportedly paid only ₹550/- per Standard Bag in 2010, although the collection wage

<sup>24</sup>An earlier order specified that only 50% of profits would be shared as incentive wage; there was provision for another up to 30% to also be shared as incentive wage if the PCS so wished (G.O. No.F-26/8/97/10-3 dt.8 May 1998). However, this was also never implemented.

<sup>25</sup>G.O.No. 303/3139/10-3/2005 dt. 31.1.2006 issued by Secretary, Forest Department, Government of Madhya Pradesh.



Table 5. Status of 'bonus' disbursement across select District Unions

District Union	PCS sampled	Status of 'bonus' disbursement
North Betul	Dhar	Few complaints. Presence of Shramik Adivasi Sangathan (SAS) activists. Relatively higher levels of awareness.
Dindori	Karanja and Nighori	Complaints of non-receipt of bonus. Where bonus is received, leaf pluckers are unable to say if they received full amount due to lack of literacy. Widespread belief that full amount is not paid. Low levels of awareness.
North Sagar	Hirapur	No bonus declared in several PCSs. Considerable irregularities in others. Bonus denied to leaf pluckers who had collected less than one Standard Bag (50,000 leaves) in a season.
South Sagar	Arjuni and Kesli	Leaf pluckers told that they need to show collection cards of the last three years to collect bonus.
Umaria	Chouri and Pali	Low levels of awareness. Could not say if full bonus amount was received since the payment was made long after the collection. Could not quote correct bonus rate. In Chouri, Nodal Officer (Deputy Range Officer) takes a cut on collection wages for allowing 'nistar'.
	Kohka	Few complaints. Presence of activists of Rashtriya Yuva Sangathan.

(Source: Interviews conducted by the authors)

was ₹650/- for that year. Meanwhile, in Sans Village under the Chouri PCS of Umaria, leaf pluckers were yet to receive collection cards more than a week into the collection season in 2011. In the previous year, the collection wages here had been disbursed by the Nodal Officer who illegally deducted ₹40/- for each person on grounds of payment for *nistari* (subsistence) forest use.

Also, across the study area, a common complaint was the deliberate under-recording of daily collection at the phad. Leaf pluckers claimed that the Phad Munshi would deliberately reject some leaf bundles on grounds of quality but later enter them into the records of a relative or friend with whom they would split the wages of the excess bundles upon payment. Equally common were complaints about delayed payment of the collection wage – at times up to one month after submitting the leaves to the phad. All these complaints resonate with the observations from a study conducted more than a decade ago (Bhogal 2000). Similarly, significant irregularities are also to be found

in the payment of incentive wages or 'bonus'.<sup>26</sup> A brief overview of the experience of leaf pluckers with regard to the receipt of bonus is provided in Table 5. In a few PCSs, where activist groups are present, the bonus payments are carried out properly; in many others, there are irregularities. Women leaf pluckers in villages under the Karanja PCS in Dindori, and the Pali PCS in Umaria were especially vociferous in articulating this problem. Often the bonus was paid at the Range Office, and villagers living in distant villages spent an entire day travelling to collect it, leading to the loss of a day's wages. At times, they had to make repeated visits. In the districts of Dindori and Umaria, where a substantial number of leaf pluckers are illiterate, there was little awareness about either the collection wage rate or the bonus rate. Consequently, irregularities in the payment of wages were higher. However, the presence of social activists often had the effect of lowering the extent of irregularities. Thus, fewer complaints of irregularities in payment of remuneration were heard from villages in the Dhar PCS of Betul or the Kohka PCS of Umaria. Finally, it must be noted that the operation of PCSs in

<sup>26</sup>Even though the distribution of bonus is often carried out with much fanfare (see section 6.2).

Sagar district is more murky because there were several reports of a 'black market' where tendu pluckers sell leaves directly to beedi manufacturers (many of whom are located in Sagar district itself) bypassing the whole MFPFED process. We have provided some details of this admittedly difficult-to-document phenomenon in Appendix 3, which suggest that pluckers in such pockets might be getting lower than the overall returns obtained elsewhere.

### 5.1.3

#### Additional service delivery

In terms of the functioning of the welfare schemes, we found several deficiencies. The group insurance scheme has been in operation since 1991. According to the MFP Federation website, more than 2,07,000 claims have been settled between 1991–92 and 2010–11 with a total payout of ₹82 crores in the period. However, despite two decades in operation, awareness about the insurance scheme remains limited. Barely a dozen of the 125 leaf-plucking households surveyed in Dindori, Umaria and Betul reported even passing knowledge of the insurance scheme. In Sagar, the level of awareness appeared slightly higher. On the whole, awareness of the insurance scheme was connected to having family or professional links with the Forest Department, the PCS Prabandhak or the Phad Munshi. However, families who had filed claims reported having to pay the Phad Munshi or PCS Prabandhak to forward their case. Senior NTFP traders in Dindori and tendu leaf contractors in Sagar and Betul praised the idea behind the insurance scheme but believed that it was misused to file fraudulent claims with the connivance of PCS Prabandhaks and lower-rung forest employees.

Another ambitious welfare scheme, the Eklavya Shiksha Yojana, was introduced by the MFP Federation in November 2010. The scheme provides scholarships to children of leaf pluckers undergoing high school education or attending technical or graduate-level courses. In the course of fieldwork during 2011–12, information about the scheme had percolated down to lower rungs of the Forest Department, but elected representatives of the PCS and District Unions were unaware of it.

In summary, the MFPFED system is moderately effective in obtaining the best price for tendu leaves, but poor at transferring these returns to the pluckers. The elimination of royalty payments to the state government in 1998 was celebrated with much fanfare as a highly progressive measure, but in place of 93% of

the tender price going to the pluckers (with 7% going to administrative costs), only about 66% is going to them, and that too in a highly staggered manner with fair amount of leakages, especially in the second (bonus) payment. Maharashtra, which moved to the zero-royalty policy much later (2004–05), is now far ahead of MP in terms of the fraction and the absolute amounts reaching the pluckers, although delays and leakages probably exist there too. Also, the welfare schemes set up by MFPFED sound good on paper but their implementation leaves much to be desired.

## 5.2

### Equity within and across PCSs

The operations of the PCS are conducted by paid professionals – whether the Prabandhak or the Phad Munshi, or the forest guard/deputy range officer. As we shall see below, the Prabandh Samiti does not have to do much work. Further, the returns to the pluckers are in proportion to the tendu leaves they contribute to the phad. To that extent, there are few major inequities within PCSs, although irregularities in payment of the bonus mean that some members receive their full return while others do not.

Between PCSs, there is, on paper, no room for unfairness. The tender for each PCS is called independently, thereby suggesting that PCSs with better quality leaves can obtain better prices. Also, their accounts are supposed to be maintained separately, which means each PCS secures its own rate of bonus in proportion to the tender price. While this is supported by data in part of the field area, we discovered that in Sagar District this was not the case. A glance at Table 4 shows that in Bara PCS of North Sagar district, no bonus was paid in 2010 even though the tender price was much higher than the collection wage. More details are provided in Table 14 and Table 15 in Appendix 3. From Table 14, it is evident that bonus was frequently not paid in the Hirapur, Bara and Bhangarh PCSs of North Sagar District Union during 2006–11, despite the tender price in these PCSs being sufficiently high to allow for the distribution of a small incentive wage (see Table 13). Similarly, data in Table 15 indicate the erratic distribution of bonus in the Tada, Arjuni, and Nanhi Deori PCSs of South Sagar District Union.

When asked about the non-payment of bonus in Sagar district, officials responded that it was because the PCSs were not making profits. It was indeed the case (as can

be seen from Table 17) that in some PCSs, no tender price was offered or what was offered was significantly below the collection wage. However, the PCSs we have mentioned do not fit into this category. When this was pointed out to the officials, we did not receive a clear response. The overall impression given was that though individual PCSs may have made a 'profit', if other PCSs in the division were making a loss, then the costs would be shared across all PCSs in the division and hence 'profitable' PCSs could not declare a bonus. This appears to be a rather unfair cross-subsidy, and that too (as the next sub-section shows) without any process of obtaining consent from the concerned PCS members.

### 5.3 Financial and ecological sustainability

For the first 16 years of its existence, MFPFED operated under a post-harvest auctioning system, where the leaves were procured, processed and then auctioned. In this system, there is some chance of making a loss if the tendu leaf price drops suddenly after the initial payment has been made to collectors (due to a glut in production, for example) or if the post-harvest processing fails for some reason. For instance, in 2001, unseasonal rains meant that a large fraction of the tendu leaves was damaged and could not be sold, but since collection wages had already been paid, MFPFED incurred a loss.

MFPFED, however, moved to a pre-harvest tendering system in 2004, wherein prices are decided through auctions held six months prior to the actual harvest, and 8% of the tender amount (tender price × estimated harvest) is collected as a security deposit from the chosen contractor for each PCS. As shown in section 5.1.2, the collection wage is always less than 50% of the tender price. Under these conditions, the risk involved in post-harvest processing and market fluctuations between the time of bidding for the tender (November/December) and the actual sale (after the following July) are borne by the tendu leaf contractor, and the system is almost riskless as far as the PCS/ MFPFED is concerned, unless the contractor defaults after the harvest has taken place. We did not hear of any contractor default cases, suggesting that this is not a major problem (probably because the security deposit collected and the contractor screening process are adequate). Also, with the controls exerted by MFPFED, there do not seem to have been any cases of internal mismanagement of funds either at the local or state levels. Apart from the weather-induced loss in 2001,

the MFPFED system as a whole has been free of losses, even though, as mentioned in the previous section, a few PCSs have incurred losses.

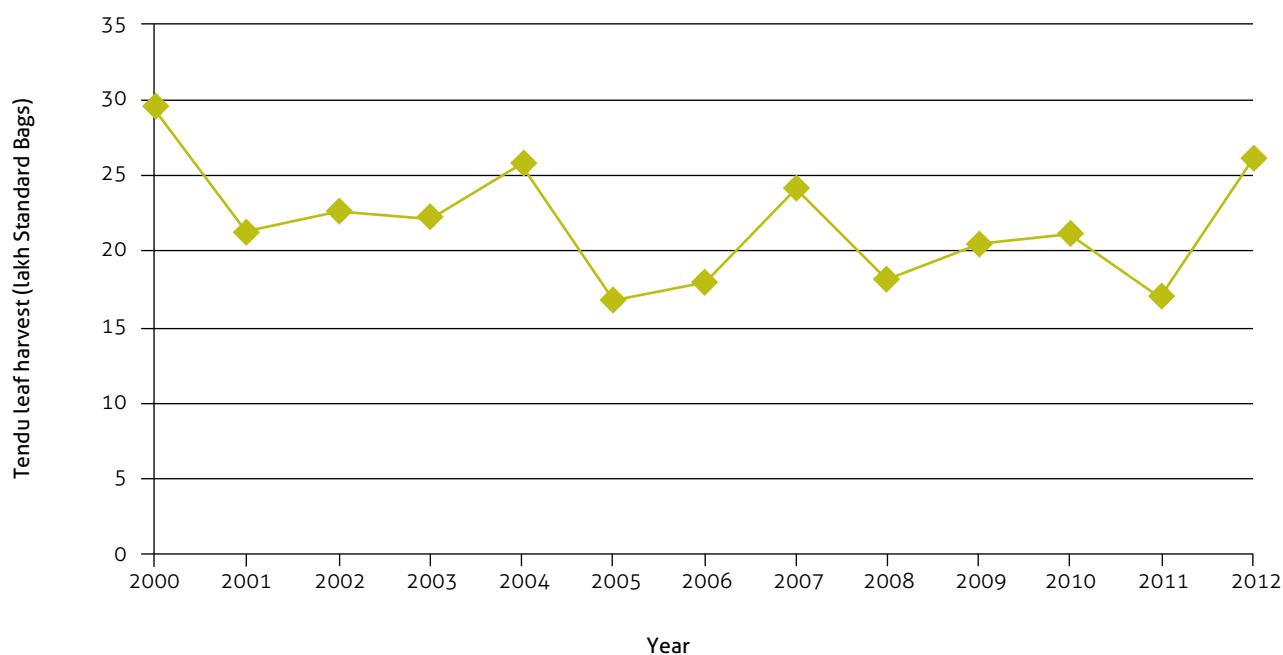
One risk, however, cannot be eliminated, which is the possibility that no bids are received for a particular unit/PCS. This may happen in places where the amount of tendu leaf on offer is small to begin with, or it may happen due to collusion between bidders. In such a situation, an individual PCS would have no option but to call off tendu leaf collection. However, the MFPFED appears to resort to risk-sharing across PCSs. It (the state-level agency) purchases the tendu leaf from such (tender-less) PCSs at the collection wage, and then tries to sell it later on, presumably to protect the livelihoods of the collectors in those PCSs. This has been done several times in some PCSs in Sagar district. If the post-harvest sale works out, this should be a no-profit-no-loss affair, given how much lower than the market price the collection wage has been. However, our investigations in Sagar indicated that in most such cases, MFPFED has incurred losses.<sup>27</sup> As a result, it appears to have denied the distribution of bonus to other profitable PCSs in the DU in order to cover the losses. This is clearly an inefficient, non-transparent and unfair system. However, the number of instances of failure to procure tender bids is rather small when the state is considered as a whole.

Overall, therefore, it appears that the MFPFED system is financially sustainable. It is not accumulating losses, nor is it being subsidized by the state in cash (although some in-kind subsidy is provided in the form of the time of forest officials at the divisional and lower levels). Nor is it incurring debts from any other source. In fact, over the years, MFPFED has built up a large corpus and diversified its activities into aromatic plants. Officials in the Bhopal office proudly point this out as the outcome of prudent financial management.

While, as mentioned earlier, it was not possible to assess ecological sustainability in any detail, we observed the following. On the one hand, the trend in total sale of tendu leaves by MFPFED state during 2000–12 (starting after the separation of Chhattisgarh) is shown in Figure 8. It does not show any systematic decline in the amount collected/sold.<sup>28</sup> This suggests that tendu leaf harvesting has not created any grave sustainability questions for the tendu leaf resource itself over this period.

On the other hand, the ecological impact of tendu leaf harvesting on the rest of the forest has been a matter of much debate between the Forest Department, the

<sup>27</sup> There are also unsubstantiated reports of corruption in this system: some contractors supposedly bribe Forest Department staff and ensure that the leaves are sold to them at very low prices.



**Figure 8. Trend in quantity of tendu leaves harvested in MP** (Source: MFPFED)

leaf pluckers, the contractors, and ecologists. The traditional practice is to use pruning and fire, both of which are meant to 'injure' the tendu leaf plant and thereby stimulate the formation of new leaves that would be suitable for beedi-making (Hunter 1981). Pruning also serves to maintain the plant as a shrub, rather than allowing it to grow naturally into a tree, so as to facilitate easy harvest by pluckers, especially by women and children. Tendu shrubs maintained in this manner form relatively monocultural patches on the edges of forests in the tendu leaf growing regions (see Figure 1 and Figure 2). So, the structure of the forest ecosystem certainly changes on its fringes. The Forest Department claims, however, that the fire spreads and destroys the rest of the forest. It therefore insists that the PCSs ensure that no fire is used in areas where the PCS members carry out most of their leaf plucking. During our field work, we observed that this ban is implemented fairly strongly. The Forest Department officials highlight the successful implementation of this ban as one of the key successes of MFPFED system. However, it is not clear whether fire is really damaging or is part of the natural ecosystem process in these dry deciduous forests. Pruning is also not allowed inside Reserved Forests. Moreover, pruning is carried out by the PCS and not the tendu leaf contractors as was the case earlier, and therefore is supposed to be less damaging to the forest, whereas tendu leaf contractors complain about inadequate pruning leading to a decline

in leaf quality. Again, the ecosystem-wide impacts of these constraints on pruning are unclear.

## 5.4 Democracy and empowerment

A Forest Department official claimed that the milk co-operatives of Gujarat had served as the model when the blueprint for MFP co-operatives in MP was prepared in the late 1980s. However, a closer examination of their functioning shows that they are a far cry from the milk co-operatives in terms of being bottom-up, member-driven and member-controlled collective action institutions.

### 5.4.1 Poor levels of awareness among leaf pluckers

To begin with, we assessed whether leaf pluckers (the general body of the co-operative societies) knew of the existence of the co-operative society and its functioning. We found that an overwhelming majority of leaf pluckers remain ignorant of the very existence of the co-operative societies. Our household surveys and interviews showed that entire villages of leaf pluckers believed that they sold tendu leaf to the Forest Department. Persons linked to the Phad Munshi or PCS Prabandhak had a vague

<sup>28</sup>There is no significant unsold amount at the end of each year, and hence the amount harvested is the same as the amount sold.

notion of the 'Samiti' but could not state its purpose or activities beyond the collection of the tendu leaf. Table 6 shows that the levels of awareness about basic facts related to the co-operative societies and the procurement of the tendu leaf remain abysmally low. The awareness levels were even lower among women in Dindori and Umaria districts, with none of them being able to acknowledge the existence of the primary co-operative or even state the collection wage correctly.

#### 5.4.2 Membership and elections

We then looked for the membership rolls in each PCS. However, none of the PCSs covered in this study were able to produce a list of their members or state the exact number of members on their rolls. According to the primary society bye-laws, any leaf plucker or NTFP collector above the age of 18 years is entitled to become a member of the PCS by purchasing a share of ₹10/- and paying a membership fee of ₹1/-. A set of

members had been enrolled during the drive conducted by the MFP Federation during the formation of the primary co-operatives in the late 1980s. The cost of enrolment of ₹11/- per member was borne by the MFP Federation and recovered from the collection wages paid in the first year of procurement.

It is not clear if any further enrolment has occurred since then. For instance, approximately 200 individuals were enrolled as members of the Kohka PCS, Umaria, at the time of inception in 1989 with no subsequent updating or addition.

In theory, not updating the membership rolls should have serious consequences: non-members would not be allowed to collect leaves and market them through the PCS, and non-members would not be able to participate in general body meetings or vote in the society elections. However, in practice, membership in the PCS appears to be irrelevant. Not being a member is not a disadvantage because anyone can bring leaves to the phad for sale. Further, being a member confers no advantages because

**Table 6. Summary of answers to key questions indicating awareness levels among tendu leaf pluckers**

District Union	What is the collection wage?	Do you know that tendu leaf is purchased through a co-operative society?	The co-operative society elects office-bearers through elections. Have you ever voted?	Do you know that leaf pluckers are insured through the co-operative society?
North Betul (Dhar PCS)	Answered correctly	Only Phad Munshi and one former 'elected' office-bearer aware	No. Not aware of elections	Only Phad Munshi is aware. Even activists do not know
Dindori	Men quoted a lower wage of ₹550/- against ₹650/- per Standard Bag. Women quoted even lower rates	No knowledge except among elected office-bearers and Phad Munshi	No. Not aware of elections	Only a few key informants including Phad Munshi and NTFP traders aware
North and South Sagar	Answered correctly	Only Phad Munshi is aware	No. Not aware of elections	Only Phad Munshi is aware
Umaria (Pali and Chouri)	Could not answer correctly	Men have some knowledge; women nil	No. Not aware of elections	No. Even Phad Munshis were not clear about details
Umaria (Kohka)	Answered correctly	A small number of leaf pluckers know because PCS Prabandhak resides in the village	No. Not aware of elections	No knowledge of insurance even among activists

(Source: Interviews and household surveys conducted by the authors.)

in none of the PCSs covered by the study did it appear that general body meetings or any other activity enlisting the wide participation of members had been organized by the PCS in recent times.

Elections to the Prabandh Samiti are supposed to be held every five years. However, as indicated in Table 6, none of our respondents from any of the PCSs had any knowledge of elections having been held. Members of Executive Committees have either been in office since 1989, or have lost track of when they came into that position, or have been nominated by forest officials in an 'election' where all candidates appear to have been elected unopposed. For instance, the Vice-President of the Karanjia PCS, Dindori, an educated adivasi, claimed that the eleven members of the Prabandh Samiti were elected unopposed because exactly eleven persons chosen by the Range Officer and his subordinates had filed nominations.

The fact that nobody bothers about elections or that elections are completed behind closed doors with the exact number of candidates as there are positions is not surprising, since so little seems to be at stake (see section 5.4.3). However, it is interesting to note that being an office-bearer of a PCS or the DU Sanchalak Mandal carries some political importance. For instance, the Vice-President of Karanjia PCS and his colleagues were approached by the two major political parties in the area, the Bharatiya Janata Party and the Indian National Congress, during the election of the Adhyaksh (President) and Upadhyaksh (Vice-President) from among the Prabandh Samiti members. After a tussle along party lines and the spending of a significant amount of money, he ended up on the losing side and had to remain content with the post of Upadhyaksh. Similarly, respondents in Sagar District indicated that the elections within the Executive Committees for such posts, and elections to the DU from among them were quite politicized, with local political heavyweights treating the elections to the co-operatives as a sparring arena. It appears, therefore, that the positions in the PCSs and DUs are stepping stones for upward mobility in the political process, but not (as we shall see below) relevant to the welfare of tendu leaf pluckers.

### 5.4.3 Awareness among office-bearers and functioning of the PCSs

Since elections are meant to keep office-bearers accountable to the general membership, it could be argued that the absence of regular elections is not a major hindrance if the current office-bearers are

performing their functions adequately. So, we also assessed the understanding among office-bearers of their roles and responsibilities. We found that in spite of some of these office-bearers being in office for many years, they had less than passing familiarity with the structure of the co-operative societies, their purpose, and members' rights and responsibilities (see Table 7). The case of an adivasi member of the Prabandh Samiti member in the Dhar PCS, Betul was typical: he said that he had filled up a form at the behest of the Deputy Range Officer to become an office-bearer some years earlier, and was invited to a meeting where snacks and soft drinks had been served. He innocently wondered if he was still part of the 'Samiti' (Table 7, row 1). Equally typical was the response of the President of the Dindori District Union, who could not answer a single question regarding how tendu leaf marketing is done, and said that the 'control lies with the Forest Department' (row 3).

All elected representatives who were interviewed agreed that decisions were taken and the operations of the co-operative societies executed by Forest Department officials, and that the executive committees existed only in name. Meetings, if held at all, were organized in the Range or Division Office. Monetary transactions at the PCS level require the signatures of the PCS Prabandhak (the manager) and the Nodal Officer (forest official) and not those of any of the elected office-bearers! Although the PCS Prabandhak and the DFO (who is the ex-officio chief executive of the District Union) are expected to carry out the decisions taken by the executive committees, it was evident from the body language adopted by office-bearers in their presence that the matter of authority had been turned upside down.

The office-bearers appear to have adjusted to this situation in different ways. In adivasi areas, many office-bearers were content with it. For instance, in the Larkui PCS, Sehore, the Prabandh Samiti had remained unchanged since its formation in 1989. In our interview, one of the office-bearers stated that he did not know much about the 'Samiti' as all the work was carried out by the PCS Prabandhak, but that "*the situation was quite satisfactory as the Prabandhak was a senior and experienced man*". In non-adivasi areas, especially Sagar and Vidisha districts, elected office-bearers were considerably more assertive. However, since the control remained with the Forest Department, the office-bearers simply viewed election to the Prabandh Samiti as a first step in upward political mobility.

Further, where some elected representatives did try to assert their authority, they lacked the power to do so in the long run. Bhogal's study (Bhogal 2000) describes in

Table 7. Select observations indicating awareness levels of elected representatives

District Union	Details of office-bearer	What they said
Betul	Member, Executive Committee, Dhar PCS	Was nominated office-bearer by Deputy Range Officer. Remembers attending only one meeting in the last few years in which cold drinks and snacks were served. <i>"I do not know if I am still in office."</i>
Dindori	Vice-President, Karanjia PCS	Was asked by the then DFO to 'fill up form' to become member of Executive Committee. Complains that all activities are carried out by Prabandhak and Forest Range Officer. <i>"Prabandh Samiti neither meets nor knows what is happening."</i>
	President, Dindori District Union	Could not answer a single question regarding details of tendu leaf procurement. <i>"Control lies with the Forest Department."</i>
Sagar	President, South Sagar District Union	<i>"All decisions are taken by the DFO. Meetings are a mere formality."</i>
	Former member, Executive Committee, South Sagar District Union	<i>"I have never collected tendu leaf in my life."</i> However, a tendu leaf collector card is issued to him every season. Complained that the Sanchalak Mandal of which he was member was dissolved due to political interference by MLA who is a State Cabinet Minister.
Sehore	Member, Executive Committee, Larkui Samiti	Has been on the Executive Committee since inception in 1989. Says that all details about tendu leaf procurement are known only to Prabandhak who gets his orders from Bhopal through DFO. <i>"There is only Larkui Samiti and Bhopal, no such thing called District Union in between."</i>

(Source: Interviews conducted by the authors)

detail the enormous struggles that a women-run PCS in Bastar district (then part of MP) faced when it tried to run the PCS independent of the Forest Department. In the long-run, the PCS had to 'fall in line'.

Finally, it may be noted that all the welfare schemes introduced by MFPFED run on the basis of the profits from tendu leaf sale that are retained by the federation instead of being passed to the collectors. The decision to use the money towards such schemes comes from the top, not from the bottom. Thus, what appear to be well-meaning, if not well-implemented, schemes can also be seen as the state gaining political mileage out of the pluckers' own hard-earned money.

In short, the PCSs are not co-operative societies at all. Pluckers or their elected representatives have no role in any of the activities of a typical marketing co-

operative, whether it is in setting up the pre-harvest auctions, or in deciding when to harvest and how much, what collection wage to pay, whom to appoint as Phad Munshi or Prabandhak, what bonus to pay and when, or which welfare schemes to operate for their members. All decisions are taken by MFPFED, where all operational matters are handled by professional foresters, and whose governing body is also controlled by state government representatives.

## 5.5 Summary of performance

In summary, our data show that the MFPFED system is not a co-operative marketing system at all. The entire system is run top-down, controlled by forest officials and governed by political appointees and the state cabinet

itself. MFPFED in Bhopal calls for and allocates tenders, distributes and recovers working capital, receives contractor deposits and payments, sets the collection wage and calculates the PCS-wise incentive wage, and so on. Elections have not been held for many years, and in any case, elected officials of the PCSs have no role to play in the management of the PCS. The appointed staff and the Forest Department officials run the show at both PCS and DU levels. Membership rolls appear to be completely out of date, but since membership is not essential when contributing leaves to the phad, nor is the membership involved in voting since elections themselves are hardly held, there is no interest in updating these rolls either. The claim that the system is 'close to the soul and spirit of PESA' (which envisages democratic self-governance in Scheduled Areas) is completely untenable.

If, however, the system is evaluated for what it really is, viz., a completely state-run tendu leaf procurement system, it may be seen as moderately successful. By establishing a system of pooling procurement and sale at the PCS-level across the entire state, it does ensure a basic minimum price for the tendu leaf pluckers. It does not overtly extract royalty from the produce for the state coffers, but does extract 30–40% of the tender price in the name of 'forest regeneration' and 'village development'. It is moderately successful in obtaining good prices for the product, but less successful in distributing the income fully and promptly to the pluckers; not just because of the abovementioned 'regeneration/development tax' but also due to low upfront disbursement, delays and leakages. It works 'sustainably' in the sense that there is no recurring financial liability to the state government, unlike the MFP co-operatives of Karnataka (Lélé and Rao 1996), although there is some in-kind subsidy in the form of the time given by forest officials at the district and sub-district levels. It also works 'smoothly' in that tendu leaf procurement takes place regularly without major hitches in most regions.



## 6

## EXPLAINING THE PERFORMANCE

### 6.1 Inapplicability of Collective Action Theory

When we began the study, we believed that the MFP co-operatives, even if established in a top-down manner, were reasonably autonomous collective action organizations, federated into the MFPFED. We therefore believed that the quality or effectiveness of their functioning could be explained at least partly through an institutional analysis framework that identifies factors affecting the success of collective action, including the size of the co-operative, incentive structure design and other design elements, the quality of leadership, and the level of economic dependence of members on the product (Attwood and Baviskar 1988; Shah 1995; Oakerson 1992). However, our assessment shows that the so-called co-operative (and federation of co-operatives) violates most of the basic tenets of collective action institutions.

Further examination suggests that the 'co-operativization' was perhaps always meant to be nominal. This is evident from various features of the structure and process used for setting it up. To begin with, nearly 2,000 co-operatives were established in a period of less than one year in 1988–89, a speed that necessarily implies inattention to due process. Initially, all office-bearers were nominated. The first elections were held only in 1995 (Bhokal 2000). Subsequently, it appears that some autonomy was granted to PCSs as regards the marketing of some other NTFPs (Bhokal and Shankar 2000), but never in the case of tendu leaf.

Second, even the little autonomy given on paper has never been exercised. For instance, the discretion to PCSs to distribute up to an additional 30% of the net income as incentive wage as per the 1998 G.O.<sup>29</sup> was never utilized. Third, the three-tier federation that was designed by the state government was mapped onto the Forest Department's structure (lots, ranges and

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<sup>29</sup> G.O. no. F-26/8/9710-3 dt.8 May 1998 issued by the Secretary, Forest Department, Government of Madhya Pradesh states that "PESA has given ownership of MFPs to Gram Sabhas. In that connection, the state government has decided that (a) only those non-timber forest products will be considered as MFPs that can be harvested without destroying the forests; this does not include wildlife or minerals in forest land, (b) as before, the harvesting and trade in MFPs will be done by the PCSs under the supervision of the MFPFED. (c) entire net income will be given to the PCSs; PCSs will apply at least 20% of this net income towards forest regeneration, at least 50% of the net income will be distributed as incentive wage to the collectors in proportion to the produce collected, and the remaining amount may be applied towards village development (basic amenities) or towards incentive wage as per the discretion of the PCS" (translated from Hindi by the authors).

divisions) for their administrative ease. At no point was the primary membership consulted about the process of federating upwards. Fourth, all executive positions in MFPFED are filled by IFS officers, cementing the bond between the agency controlling the forest resource and agency controlling the co-operatives. Fifth, as perhaps a blatant symbol of state control over a so-called co-operative, the "*Rajya Shaasan*" (state government) is mentioned as a primary member in the bye-laws at each of the three tiers.

Finally, all marketing co-operatives are based on the assumption that the members of the co-operative own the produce that they choose to pool produce to obtain better prices, and therefore, they can also opt out and sell the produce through some other channels if they are dissatisfied with the functioning of the co-operative. However, in the case of tendu leaves in MP (and most central Indian states), the produce continues to be owned by the state. The legislation passed in 1964 establishing complete state ownership and control over tendu leaves was not modified or withdrawn when the so-called co-operative federation was created. Nor did the passage of PESA change the situation, as PESA rules were never properly interpreted and implemented. Even the passage of the Forest Rights Act 2006, which explicitly states that forest dwellers have full rights over tendu leaf and other minor forest products, has not changed the de facto situation, as these provisions remain unimplemented in MP. Thus, the entire co-operative structure is built on a non-existing foundation – the tendu pluckers still remain labourers who are allowed to pluck state-owned tendu leaves from state-owned forests and are required to bring the leaves to the state-run co-operative.

The presence and persistence of the discussed design errors suggest that there are major vested interests in keeping the system under state control. While the political economy of state forest control in India is well-documented (Guha 1984; Sundar et al. 2001; Springate-Baginski and Blaikie 2007); the political economy of state-controlled marketing systems is less understood.

## 6.2 The political economy of the MFPFED system

Tendu leaf is a key material and political resource that has been controlled and mobilized by different interest groups, other than the pluckers themselves, for their own ends. The key groups or actors have always been the state and the tendu leaf contractors.

While the colonial and the post-Independence state tried to maximize revenues or royalties from tendu leaf collection, they could not do this without the involvement of tendu leaf contractors – the essential link between the product that is spread over the forested landscape and the beedi-making industry spread across the country. The contractors bid for harvesting rights, offered royalty to the state, and hired the tendu pluckers as wage labourers to carry out the harvest. In the post-Independence period, the tendu leaf contractors in MP became increasingly powerful, and converted their economic power into political clout by getting regularly elected to the state assembly.

The establishment of the state-level corporation in 1984 to carry out monopoly purchase and then the state-sponsored complete co-operativization in 1989 were therefore a somewhat radical departure (or attempted departure) from the cosy relationship between the state and the contractors. According to senior retired officials and Bhogal (2000), the idea of co-operative marketing was the brainchild of the Congress Chief Minister, Arjun Singh. With the contractors aligned with the Bharatiya Janata Party, Arjun Singh in his first stint (1980–85) set up the state-level federation to weaken the contractors' political power. In his second stint, he faced stiff opposition from the tendu leaf contractor lobby and was elected by a very slender margin in the Khasiya by-election in 1988. Determined to undermine the political influence of the contractors, particularly among marginal leaf-plucking communities, he moved quickly to dismantle the prevailing tendu leaf procurement system and restructured it in the form of an extensive co-operative society network. Wanting to check the spread of Naxalism may also have been a secondary motive behind this welfare measure (DN 1989). A few forest officers with a reputation for administrative skills and integrity were handpicked to handhold and nurture the MFP Federation. The move became popular because of the higher returns obtained by leaf pluckers in the very first collection season in 1989, and the structure could not be rolled back even though the Congress government lost power soon thereafter.

Subsequently, political representatives, including those with links to the tendu leaf contractor and beedi maker lobbies, have supported this system as it serves as a medium to reach out to a significant vote-bank comprising poor forest-dependent communities, including large numbers of adivasis. The setting of the collection wage each year is deemed consequential enough for it to be done at the level of the State Cabinet

rather than at the level of the MFP Federation. Bonus distribution ceremonies become an occasion for political leaders to deliver speeches and personally distribute the money to a few leaf pluckers. In fact, the distribution of bonus is so politically significant that it has to be withheld once the Election Commission announces the dates of the election and the code of conduct comes into force. For instance, the bonus for the year 2008 was distributed only two years later, in 2010, because parliamentary, legislative assembly and local body elections were held in succession in 2009 and the code of conduct was in force for most part of the year. The continued political usefulness of the co-operative societies can be gauged from the current leadership of the MFP Federation. Although the co-operative society bye-laws indicate that the Chairperson of the MFP Federation must be a leaf plucker elected from among the elected representatives of the DUs, the current Chairperson is an MLA from the ruling party. Since several MLAs (and usually at least one minister) are beedi manufacturers or have close links with them, one can say that the political system is now intertwined with the beedi maker and contractor lobbies rather than standing up for the tendu leaf pluckers against the contractors.

At the same time, the Forest Department has emerged as a semi-independent player, almost the backbone of the system, a development that has both positive and negative implications. On the one hand, giving the professional foresters a key role appears to have kept the system running smoothly with limited overt corruption. Indeed, while Forest Department officials at the district and PCS levels complain that they are forced to take on tasks for which they receive a paltry honorarium, the sound financial performance of the MFPFED and the functioning of a mammoth system year after year is worn as a badge of honour among senior officers who were handpicked for their integrity, and have been associated with the MFPFED since inception. They believe that this has been made possible by avoiding overt political interference, and they insist that bureaucratic control is essential for the continued success of the MFP Federation. On the other hand, when the forest is already controlled by the Forest Department, giving them control over the marketing of forest produce further consolidates their power in the forested landscape and makes forest-dwellers even more beholden to the bureaucracy. While some honest and socially sensitive officers might use this power to further or at least safeguard the welfare of the pluckers, there is no attempt to increase transparency and accountability in functioning, let alone to empower the pluckers to manage their own affairs.

Thus, while the official rhetoric, such as on MFPFED's website, has been that "*Madhya Pradesh became the first state in the country to ... transfer ... ownership of non-wood forest produce to the Gram Sabhas (local level Panchayati Raj institutions)*"; the MFPFED system is, in fact simply a way of negotiating the power relations between the political system, the forest bureaucracy and the tendu leaf contractors and beedi makers (who are often part of the political system). The tendu leaf pluckers are appeased by tinkering with wage rates, releasing bonuses with political fanfare, and announcing some populist welfare measures with the pluckers' own money.

## 7

## A DIFFERENT LENS: A COSTLESS STATE EMPLOYMENT SCHEME?

In a study of MFP co-operatives in Karnataka, Lele and Rao (1996) asked “*Whose co-operatives and whose produce?*”, and pointed out that the adivasi members of these co-operatives neither own the produce nor control their co-operative. The same situation prevails in the MFPFED system: the Forest Department continues to control the tendu leaf and NTFP resource in general, the state controls the PCSs, and the tendu leaf contractors control the market. The system is better characterized as a state-run tendu leaf monopoly procurement system that metamorphosed from one focused on royalty maximization for the state to one, ostensibly, focused on better returns for the pluckers without, however, disturbing state control over the forest resource. Indeed, the entire language of collection ‘wage’ and incentive ‘wage’ appears to be a Freudian slip, suggesting that the government and the state-level MFPFED officials still see the tendu leaf pluckers as ‘wage labourers’!

Some would argue that it does not matter that the system is not really a co-operative federation and that pluckers do not have forest rights, as long as the economic interests of the tendu pluckers are protected. If we viewed the system through that lens, how would

our assessment change? Our analysis in section 5.1 shows that this procurement system does function smoothly, requires no significant state subsidy, and that it does generate returns for the tendu leaf pluckers that are higher than in some other states, and higher than the pre-MFPFED days, thereby protecting the pluckers from the extremes of exploitation at the hands of the contractors. A major jump in returns occurred in the first year of MFPFED creation, but an equally significant jump occurred when the state stopped its extraction of royalty and began to transfer 60% of the profits back to pluckers. This latter policy makes the pluckers far better off than in, say, Odisha, where royalties have not been abolished (see Table 2).

However, the overall return is only moderately competitive, when compared with other states or with the final sale prices to beedi makers. Initial payments are low, and final payments are delayed inordinately. Maharashtra also does a better job of disbursing bonus, by depositing it directly into the collectors’ bank accounts. Thus, it appears that after the initial enthusiasm and pressure of PESA eased, the system has somewhat stagnated and become perhaps more susceptible to the pressure of the tendu leaf contractors’ lobby.

It has been argued by activists such as Anurag Modi of Shramik Adivasi Sangathan that if the system is meant to provide livelihoods to tendu leaf collectors and if tendu leaf collectors are only wage labourers, then it must stand the test of 'adequacy' from that perspective, such as meeting minimum wage standards. We attempted a comparison of the returns obtained per person-day by the tendu leaf pluckers with the minimum wage, using data we gathered from personal observation and interviews with households in two villages, one each in Betul and Umaria districts, both regions known for abundance of good quality tendu leaves.

The tendu leaf collection process consists of plucking of leaves, making of bundles, and depositing the bundles at the phad. Entire households are involved in one or more of these activities. The typical division of family labour is as follows: two able-bodied adults pluck the leaves from dawn to forenoon while adults, children and elderly members take turns in the preparation of 50-leaf bundles in the afternoon (as a conservative equivalent, we assume three adults working full-time to tie the leaves into bundles). At the end of the day, two able-bodied adults carry the leaves to the phad.

Our data, presented in Table 8, show that every household spends about 24–28 person-hours per day of leaf collection and the collection of leaves ranges from 200 to 300 bundles, or 10,000–15,000 leaves per day. The returns from this collection are ₹150–190 per day for all the labour-time spent if one uses only the collection wage, whereas if the tendu leaf pluckers were paid the minimum wage of ₹169 per 8-hour working day prevailing in 2011, the returns would have been far higher (Table 9). Even after factoring in the incentive wage, the returns remain significantly lower than the minimum wage. Note that the villages chosen for this calculation were such that tendu leaf availability and quality were not limiting the return.

MFPFED officials claimed the collection wage is fixed on the basis of an estimate of the number of leaves an individual would collect in half-a-day's work, and they believed that the current collection wage was adequate to cover that labour-time. However, our data suggest that these calculations are outdated. Tendu leaf harvesting is a full-time activity employing the labour of the entire family. A more accurate picture may require labour data drawn from multiple sites of tendu leaf collection. However, it is clear that the total

**Table 8. Labour-time analysis of the tendu leaf plucking process (2011 season)**

Field site	Average daily household collection of leaves (number of bundles)	Average number of leaf-plucking members per household	Average time spent per person in leaf-plucking per day	Average number of household members engaged in tying up bundles	Average time taken by the household to tie up all leaves into bundles	Average number of household members carrying leaves to the phad	Average time taken at the phad	Average total time taken per household per day (in person-hours)
Jodiyamau village (Dhar PCS, North Betul DU)	10,900 (218)	2	7 hours 45 minutes	4	3 hours 45 minutes	2	1 hour 30 minutes	28 hours 30 minutes
Majmanikala village (Kohka PCS, Umaria DU)	14,750 (295)	2	8 hours	3	3 hours	2	1 hour	24 hours 15 minutes

Note: The difference in average daily household collection between the two field site is because of relatively higher leaf availability and lower distance from the village to the forest in Majmanikala village relative to Jodiyamau.

Table 9. Comparison of remuneration from tendu leaf in 2010 with prevailing minimum wage

Field site	Average number of bundles collected per household per day	Average labour per household per day (in person-hours)	Collection wage@ ₹ 65/- per 100 bundles of 50 leaves each	'Bonus' payable for average daily collection in 2010 (₹)	Total remuneration (₹)	Wage payable if minimum wage@ ₹ 169/- per day was taken into account (₹)
Jodiyamau village (Dhar PCS, North Betul DU)	218	28 hours 30 minutes	142	154	296	602
Majmanikala village (Kohka PCS, Umaria DU)	295	24 hours 15 minutes	192	186	378	512

Note: ₹ 159/- per day was the minimum wage in Madhya Pradesh from 01.10.2010 to 31.03.2011. This is used as a proxy since information on the exact minimum wage in force at the time of the tendu leaf season in 2010 is not available.

remuneration to leaf pluckers is not commensurate with the labour expended. The irregularities and leakages in wage payment further tilt the scales away from the leaf pluckers, an outcome that was particularly evident in some villages of Dindori and Umaria districts where a combination of inadequate returns, irregularities in wage payment, and harsh working conditions had led to a decline in leaf plucking following the introduction of wage employment under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS).

## 8

## SUMMARY AND POLICY IMPLICATIONS

The tendu leaf collection system in MP has been praised not only for assuring tendu leaf pluckers an adequate livelihood but also as “*the best [sic] democratic and decentralized system that comes closest to the soul and spirit of the PESA*” (MoPr 2007). Our study shows that the system works smoothly and may be seen as providing high returns from certain perspectives, but is certainly nowhere near meeting goals of democratization or decentralization. Even as a state-run procurement system, there are several shortcomings, including the diversion of a portion of the tendu pluckers’ returns to village development and forest development, delays in payments and other forms of micro-level harassment. It appears that what started out as a pro-plucker initiative has gradually fizzled out, and over time the politicians, tendu leaf contractors and forest bureaucracy have formed an ‘iron triangle’ that protects their interests (votes, prices and forests) while mollifying the tendu pluckers with crumbs.

What are the implications that emerge from this research for policy makers and the tendu leaf pluckers themselves? The implications will vary significantly depending upon the ‘normative’ goal of the tendu leaf collection activity: is it meant to be a state-run

procurement programme to ensure reasonable returns to tendu leaf pluckers or it is meant to be a truly bottom-up federation of co-operative societies of tendu leaf pluckers who have resource rights and marketing rights, and control and run the co-operative themselves?

On the one hand, there are a number of measures that the state can take within the paradigm of state-controlled tendu leaf procurement that will benefit pluckers in the short run:

- a. Abolish the deductions towards village development funds and forest development funds, as these are unnecessary ‘taxes’ on the tendu pluckers’ wages. This can increase the total return by at least 20%.
- b. The collection wage can be increased substantially so that 75% of the anticipated total return is paid outright after the tendu leaves reach the phad.
- c. Calculate and distribute the bonus or incentive wage within 1 month of receiving the last payment from the contractor, which should be not more than 5 months after the tendu leaf has been collected.
- d. Examine and redress grievances related to improper distribution of incentive wages.

- e. Make administrative cost calculations transparent, keeping them, say, within 7% of the tender price, as Maharashtra manages.
- f. Tighter monitoring of the functioning of Phad Munshis.

These measures would go a long way in improving the pluckers' lot. In addition, if MFPFED were to invite tenders from a wider set of contractors, and link up with beedi manufacturers outside the state to directly source the tendu leaf to them, they might be able to match the prices obtained in Gadchiroli district of Maharashtra.<sup>30</sup>

On the other hand, if tendu leaf pluckers, adivasis and other forest-dependent communities want to better their lot in the long run, they will have to demand more than a benevolent state-controlled wage labour programme. Indeed, even the implementation of the above 'simple' measures is unlikely to take place unless the tendu leaf pluckers assert their rights. Further, the minimum wage is a weak right, in the sense that the government could very well argue that paying the minimum wage would make selling tendu leaves an unviable business and shut down the programme. The only long-term rights the pluckers have are those given to them notionally under PESA and, more concretely and specifically, made available under the Community Forest Rights (CFR) provision of the FRA, wherein tendu leaf ownership is explicitly mentioned. It is only by securing resource extraction, management and marketing rights simultaneously can these communities extricate themselves from the grip of the forest bureaucracy, which today controls both the resource and the resource marketing channel, i.e., the so-called co-operatives.

This applies to other NTFPs as well, that are currently either formally auctioned at the DU level or sold piecemeal by individual collectors. Anecdotal evidence obtained during our research indicated that NTFPs that may be locally as important as tendu leaf do not get the attention they deserve, that procurement targets are set from Bhopal, and that auctions may be faulty. These again point to the limitations of a centralized procurement system controlled by the Forest Department. While individual officers may attempt to improve matters on occasion, sustained attention to local specificities and to NTFP harvesters' welfare would only seem possible in a decentralized resource management and marketing system controlled by the harvesters.

This is of course easier said than done. The implementation of the CFR provision in MP is almost non-existent (Joint Committee 2010). Also, claiming ownership of tendu leaves and, therefore, of the so-called co-operatives will then place a much greater responsibility on the shoulders of the tendu leaf pluckers and the forest-dependent communities as a whole, as they will have to face the vagaries of the market and take on the management of the cash flow, the tendering process, the dealings with the contractors, as well as tendu leaf pruning and forest management. A few villages in Maharashtra have attempted this and the process has not been smooth (Dilip Gode, pers. comm.).

Some communities that we spoke to in Betul, who have been organized and supported by Shramik Adivasi Sangathan, are nevertheless ready to take on this challenge. However, they were keenly aware that smooth functioning of tendu leaf marketing requires significant working capital. If 75% of the tender price is to be paid upfront to the pluckers, each PCS would on average need ₹30 lakhs as working capital for at least a six-month period, till the contractor pays up all his dues. However, they are also aware that the MFPFED's current working capital has been extracted from their own wages over the years, and so they are demanding that the transfer of resource rights and the control of the co-operatives must be accompanied by a transfer of working capital from the MFPFED to the PCS.

Most other communities, however, are admittedly far from being prepared to take on this challenge, and might prefer to function within the older welfare-state paradigm and push for improvements within it. The question, however, is: whether the state will implement even these relatively benign or less radical measures without these communities getting organized and pressing strongly for improvements. In that sense, there is a strong link between the paradigm of short-term top-down welfare measures and that of long-term bottom-up empowerment. It is unlikely that the former can happen without the latter.

<sup>30</sup> If the higher prices in Gadchiroli are because of Naxalite pressure on (or threats to) contractors, then it is not clear how the state can exert such 'pressure'.



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# Appendix 1

## Detailed history of tendu leaf marketing in Madhya Pradesh

The commercial use of the tendu leaf appears to be closely tied to the origins of the Jabalpur beedi industry at the turn of the twentieth century. Lal (2009) suggests that the tendu leaf came to be preferred over leaves of several other plants that were experimented with for wrapping tobacco: astra (*Bauhinia variegata*), sal (*Shorea robusta*), mango (*Mangifera* spp.), jackfruit (*Artocarpus* spp.), palash (*Butea monosperma*), pandanus (*Pandanus odoratissimus*) and banana (*Musa* spp.). The leaf was widely available in the deciduous forests of central India, and proved to be superior to its competitors in texture and retention of the flavour of the tobacco. The demand for tendu leaf from the beedi industry was met by contractors. They organized the collection from state-owned as well as private lands. While the unplucked leaf was sold by auction in the case of state-owned lands, contractors could push down prices through negotiation with private growers in the case of tendu plants growing on private lands (Marothia 1992). This gave rise to a lucrative trade.

Over time, however, growing malpractices raised concerns over the loss of revenue to the state and the exploitation of private growers. In particular, the pilferage and smuggling of tendu leaves from

Reserved and Protected Forests contiguous to private lands gave rise to much heartburn (Shrivastava and Choubey 1968). Invoking public interest, the Madhya Pradesh Tendu Patta (Vyapar Viniyaman) Adhiniyam was passed in 1964 in a move popularly referred to as the 'nationalization' of the tendu leaf. The Act established a state monopoly over the tendu leaf trade within MP by providing for government-appointed agents to procure the leaf and sell to pre-appointed purchasers across 1,826 leaf-producing units in the state. However, continuing irregularities, arising especially from collusion between the agent and the purchaser, blunted the impact of the legislation (Bhogal 2000; Boaz 2004). In 1980, the existing system was modified by asking the purchaser to pay a lumpsum amount (based on annual average collection in the previous 15 years) instead of payment for actual collection. Additionally, the Madhya Pradesh State Co-operative Marketing Federation (MARKFED) was appointed collecting agent for some of the tendu leaf-producing units (Marothia 1992). By this time, the exploitation of tendu leaf pluckers, mainly adivasis, had become as much a matter of concern as the loss of revenue (Saigal 2008). Consequently, the Madhya Pradesh Minor Forest Produce (Trading and Development) Co-operative Federation Limited (henceforth, referred to as the MFP Federation) was established in 1984. Initially, the MFP Federation carried out tendu leaf procurement through Large-scale Adivasi Multi-Purpose Societies (LAMPS) and Primary Agricultural Co-operative Societies (PACS) along with MARKFED. However, this was limited to a few districts, and intermediaries continued to play a dominant role. Besides, the dependence on LAMPS, PACS and MARKFED hindered the focus on tendu leaves since these organizations were engaged in procuring a wide range of primary produce with the tendu leaf being relatively peripheral to their operations (Bhogal 2000; V. R. Khare, pers. comm.).

Eventually, an elaborate three-tier co-operative structure was announced in 1988 and tendu leaf procurement across the entire state was brought under the wing of the MFP Federation from 1989 onwards (Lal and Dave 1991). A total of 1,947 MFP primary co-operative societies were established across the then undivided MP, and clustered under 44 MFP district co-operative societies constituted at the level of the territorial forest division. The MFP Federation served as the apex body of the hierarchical network. Although the mandate of the MFP co-operatives included procurement of all NTFP, the focus was primarily on the tendu leaf. An Implementation and Advisory Committee oversaw procurement in tandem with Advisory

Committees at the district level in the first tendu leaf season following collectivization. The leaf was auctioned after collection. The move produced instant results. The collection wage for leaf-gatherers rose to ₹150 per one Standard Bag. This was a 55% increase over the previous year's wage (Bhogal 2000). The operations yielded a net income of ₹290.45 crores (1 crore = 100 million) to the MFP Federation, of which a sum of ₹150 crores was earmarked for distribution as incentive wage (commonly known as 'bonus') to the leaf pluckers (MPMFPCF 2012). The rest was paid into the coffers of the state government as royalty.

## Appendix 2

More details on the structure of the current tendu leaf co-operative marketing system

### **Structure**

The present-day MFP co-operative society network in MP consists of 1,066 PCSs that are attached to 61 district co-operative societies (DUs) under the overall aegis of the MFP Federation (see Table 10). The reference to 'district' is somewhat misleading since the second-tier societies are actually established at the level of the territorial forest division. Several administrative districts in MP contain more than one forest division. For example, Betul district contains three territorial forest divisions – North, West and South. Hence, the 61 District Unions are spread across 47 out of the state's 51 districts (MPMFPCF 2011; MPMFPCF 2012). The number of PCSs under a District Union depends upon the potential availability of tendu leaf in the area as well as the geographical extent of the District Union. Thus, the District Unions of Morena, Ujjain, Datia, Shajapur and Badwani consist of only one PCS, whereas Chhattarpur has 76 and East Sidhi, 75. The average clustering of PCS under a District Union seems to range from 10 to 25 (see Table 10 for the complete list).



**Table 10. List of District Unions in Madhya Pradesh with number of Primary Co-operative Societies under their jurisdiction and number of tendu leaf lots which are put out for tender bids (as of 2012).**

S. No.	District Union	Number of PCSs	Number of lots
1	Alirajpur	8	5
2	Anuppur	8	8
3	Ashoknagar	11	11
4	Badwaha	7	7
5	Badwani	1	1
6	Bhopal	8	8
7	Burhanpur	3	3
8	Chhatarpur	76	47
9	Damoh	18	10
10	Datia	1	1
11	Dewas	29	27
12	Dhar	13	7
13	Dindori	17	16
14	East Chhindwara	12	12
15	East Mandla	12	12
16	East Sidhi	75	71
17	Guna	18	15
18	Gwalior	4	3
19	Harda	8	8
20	Hoshangabad	13	12
21	Indore	3	2
22	Jabalpur	27	21
23	Jhabua	4	1
24	Katni	30	20
25	Khandwa	17	17
26	Khargone	2	2
27	Morena	1	1
28	Narsinghpur	21	20
29	Neemuch	3	3
30	North Balaghat	31	31
31	North Betul	10	10
32	North Panna	21	18
33	North Sagar	22	13
34	North Seoni	20	20
35	North Shahdol	33	33
36	Obedullahganj	15	15
37	Raisen	34	25
38	Rajgadh	4	3

S. No	District Union	Number of PCSs	Number of lots
39	Ratlam	3	3
40	Rewa	21	21
41	Satna	42	41
42	Sehore	15	15
43	Sendhwa	3	3
44	Shajapur	1	1
45	Sheopur	16	15
46	Shivpuri	35	31
47	South Balaghat	29	29
48	South Betul	7	7
49	South Chhindwara	10	10
50	South Panna	14	14
51	South Sagar	23	18
52	South Seoni	24	24
53	South Shahdol	22	22
54	Tikamgadh	25	15
55	Ujjain	1	1
56	Umaria	31	31
57	Vidisha	13	13
58	West Betul	10	10
59	West Chhindwara	8	8
60	West Mandla	22	22
61	West Sidhi	51	44
	<b>Total</b>	<b>1,066</b>	<b>937</b>

## Operation

The tendu leaf is procured from leaf pluckers and sold to tendu leaf contractors in the form of lots. Each lot usually represents the total tendu leaf collection of one PCS. However, the tendu leaf collection of two or more PCSs in the same District Union may be combined if their individual leaf production is relatively low. For instance, the tendu leaf output of the Karanjia and Bajaag PCS in the Dindori District Union together comprise one lot. The tendu leaf collection across the state is organized by the MFP Federation into 937 such lots. In the practice followed earlier, the PCS was

responsible for procurement and storage, following which the lots were auctioned to tendu leaf contractors. This changed in 2004, with each lot being sold individually by inviting tender bids six months prior to collection. The responsibility of procurement from leaf pluckers, transport to godowns and storage is now borne by the contractor. The leaf is usually sold onward by the contractor in October after the stored leaves are sorted into three grades according to quality.

There is a broad division of labour between the three rungs of the co-operatives. The primary co-operative organizes the pruning of the tendu plants around the

time of Holi between late February and early March. A gap of roughly 60 days is observed between pruning and the tendu leaf season. Between early May and mid-June, the PCS organizes the collection of the leaf by setting up collection centres, each of which is called a phad. It also appoints a clerk, called the Phad Munshi, at each phad. The Phad Munshi is responsible for gathering the tendu leaves from leaf pluckers and maintaining daily accounts. The responsibility of procurement at the collection centres is shared by the PCS with the contractor's employees. The PCS is also responsible for issuing collection cards to each leaf-plucking household, and to update it on a daily basis till the end of the season. In addition to the tendu leaf, the PCS also organizes the procurement of other nationalized or 'specific' NTFP such as sal seeds, kullu gond and lac. However, the collection of these NTFP is episodic. The PCS can declare its intent to purchase non-nationalized NTFP and coordinate their procurement with the support of the District Union.

The District Union coordinates and monitors the procurement of tendu leaf by all the PCS under their jurisdiction. It serves as the point of contact for tendu leaf contractors. All contractors need to be registered with one District Union or the other. The transfer of funds for payment (as collection wages and incentive wages or 'bonus') from the MFP Federation to PCS happens through the District Union. Thus, the District Union is expected to maintain extensive financial records relating to the trade of all NTFP carried out through all the PCS in its jurisdiction. Proposals for collection of NTFPs other than tendu leaf originating from the PCS are expected to be forwarded by the District Union to the MFP Federation. As part of its wider supervisory role, its responsibilities extend to the auditing of PCS finances. It also plays an important role in infrastructure development, particularly through the construction and maintenance of godowns for storage of tendu leaves and other NTFP.

The MFP Federation is mandated by its bye-laws to eliminate the role of middlemen from the trade of nationalized forest produce, and to pay special attention to the welfare of adivasis. It is also mandated to deal in agricultural produce although NTFP forms the focus of its activities. In practice, the MFP Federation takes all key decisions regarding NTFP procurement and sale in the state, particularly in the case of nationalized forest produce, of which it remains the sole buyer on behalf of the government. This includes the award of tenders to tendu leaf collectors, recommending the annual collection wage for leaf pluckers that is eventually fixed by the State Cabinet, and the declaration of incentive

wages. The Federation maintains a website that provides information on the procurement and sale of tendu leaf and other NTFP. In addition to its complete management of tendu leaf procurement, it is engaged in the manufacture of ayurvedic products marketed under its own brand name, Vindhya Herbals. It actively mobilizes funds from various state and central government bodies for its activities, especially the construction of godowns, and the expansion of its NTFP processing and research activities. The MFP Federation discharges significant financial responsibilities because of the centralized tender process for tendu leaf procurement, as a result of which funds for payment of collection wage, as well as incentive wage, flow downward from the federation to the PCS through the District Unions.

## Governance

Any person over the age of 18 years who collects NTFP for his/her livelihood is eligible to be a member of the local PCS upon purchase of a share and payment of the membership fee of one rupee. According to the PCS bye-laws, the state government is also deemed to be a member. The members together comprise the general body. Each PCS is managed by a Prabandh Samiti (Executive Committee) consisting of 15 members, including:

- 11 members elected directly by the members of the PCS (with reservation for 2 women, and SC, ST and OBC members).
- 2 members nominated by the DFO from among the JFM Committees, whose jurisdiction falls within that of the PCS.
- 2 ex-officio members nominated, one each, by the District Union, and the Registrar of co-operative societies.

The Prabandh Samiti, which has a term of five years, elects an Adhyaksh (President) and Upadhyaksh (Vice-President) from within itself. At least one of them is required to be a woman, as per the bye-laws. The Adhyaksh of a PCS operating in a Scheduled Area must necessarily be a member of a Scheduled Tribe. The Divisional Forest Officer (DFO) of the concerned territorial forest division is empowered to nominate two members, which may include the President of any of the Joint Forest Management (JFM) Committees falling under the jurisdiction of the PCS. The day-to-day operations of the PCS are handled by a Manager (Prabandhak), an employee of the PCS.

The District Union is constituted as a federation of all the PCSs within its jurisdiction (all of them termed ordinary members) and can also include individuals and organizations that are suppliers or purchasers of NTFP (termed nominal members). The state government is recorded as a distinct member under the District Union bye-laws. The governing body of the DU is the District Union Sanchalak Mandal, and it consists of:

- ▶ 10 members elected by the Prabandha Samitis of the PCSs encompassed within the concerned DU,
- ▶ 2 nominated members: one representing a financial institution, and one nominated by the Registrar, Co-operative Societies, and
- ▶ 2 ex-officio members: the Prabandh Sanchalak (DFO), and the President, District Co-operative Central Bank.

Two of the 10 elected members are then elected by the Mandal as Adhyaksh and Upadhyaksh. The DFO is the ex-officio Prabandh Sanchalak (Managing Director), and oversees the operations of the District Union under the overall leadership of the elected Adhyaksh and Upadhyaksh. The DFO is the ex-officio secretary of the Sanchalak Mandal.

At the highest tier, the MFP Federation comprises all the District Unions, which are regarded as 'ordinary members'. The state government is also recorded in the bye-laws as an ordinary member. A second category of 'nominal members', without voting rights, consists of other co-operative societies and individuals that are associated with the MFP Federation as purchasers, sellers, distributors, contractors or agents. The Federation is governed by a Board of Directors. The Board consists of 18 members; nine are elected from among the District Unions of each of the following nine revenue divisions of Madhya Pradesh: Indore, Ujjain, Jabalpur, Sagar, Rewa, Bhopal, Hoshangabad, Gwalior, and Chambal. Three other members, not below the rank of Under Secretary, are nominated by the state government from the departments of Forest, Finance and Co-operation. The remaining six members are appointed ex-officio, and are as follows:

An official of the central government appointed on the orders of the Madhya Pradesh government

- ▶ Secretary, Madhya Pradesh State Department of Tribal Welfare, or their representative
- ▶ Registrar, Co-operative Societies, or their representative not below the rank of Additional Registrar

- ▶ Managing Director, MFP Federation
- ▶ Principal Chief Conservator of Forests, Madhya Pradesh, Forest Department
- ▶ Additional Principal Chief Conservator of Forests, Production Division, Madhya Pradesh Forest Department

The Board of Directors elect a Chairperson and Vice-Chairperson from among the elected representatives. However, the Registrar of Co-operative Societies is also empowered to appoint a Chairperson not below the rank of Minister of State, or Secretary, upon the counsel of the MP state government. The everyday operations of the MFP Federation are handled by a Managing Director, who is usually a senior forest officer on deputation from the MP Forest Department.

## Tendering

The actual collection of the tendu leaf commences between mid-April and mid-May, and ends by mid-June, just before the onset of the monsoon. However, the procurement process is set in motion in the previous November when an online tender bidding process is initiated by the MFP Federation for 937 lots of tendu leaf spread across the 1,066 PCS. Tendu leaf contractors, who will buy the leaf from the MFP Federation and sell them onward to beedi manufacturers, submit tender bids at any one of the 16 forest circle offices in the state. The MFP Federation declares the production target for each lot based on the leaf collection in previous years. Furthermore, it calculates an upset price for each lot – this remains unannounced – and uses this as a benchmark in awarding the tender. For a lot to be sold, the winning bid must be the highest among all bids and also higher than the upset price. Another round of bidding is carried out and fresh bids invited for the lots that remain unsold. The tender process runs into three or four rounds. Lots that still remain unsold are procured by the MFP Federation on its own account and will be sold after collection. Since the quality of the leaf varies from one geographical region to another, the tender prices also vary from one lot to another.

The arrangements made by the MFP Federation for the 2013 collection season serve as an illustration of the pre-harvest tender system. The invitation for tender bids was announced on 15 November 2012 along with the release of the targeted quantity of each of the 937 lots in the state. The auction involves three rounds of bidding, commencing in December 2012 and spaced

three weeks apart from each other (see Table 11). Only lots that remain unsold will proceed to the next round of bidding. The bids are opened in one of any three of the following places: Bhopal, Jabalpur or Rewa. At the time of submission of the tender, contractors must pay 8% of the contract amount as Earnest Money Deposit (EMD). However, the payment of the rest of the contract amount is expected only after the tendu leaf season. Contractors can pay in four instalments spaced roughly eight weeks apart beginning October 2013 (see Table 12). Thus, the 2013 tendu leaf season actually stretches from November 2012 to February 2014.

**Table 11. Bidding schedule for the 2013 collection season**

Tender round	Last date for submission of tender bids	Date of opening of bids
First	21.12.2012	22.12.2012
Second	15.01.2013	16.01.2013
Third	05.02.2013	06.02.2013

(Source: Tender advertisement for the 2013 season.)

**Table 12. Instalment payment dates for the 2013 season**

Instalment Details	Date of payment
First instalment	05.10.2013
Second instalment	21.11.2013
Third instalment	06.01.2014
Fourth and final instalment	21.02.2014

(Source: Tender notice, Part I, for the 2013 season. Retrieved on 25 December 2012 from the website of the MFP Federation: [http://www.mfpfederation.org/Website/content/lot\\_list.asp](http://www.mfpfederation.org/Website/content/lot_list.asp).)

## Units

Before we describe the payment procedures, it would be useful to clarify the units that are typically used.

- ▶ 1 bundle is a bunch of 50 tendu leaves tied together.
- ▶ 100 bundles is a count of 5,000 leaves.
- ▶ 1 Standard Bag (SB) comprises 1,000 bundles or 50,000 tendu leaves, and is the standard unit of

measurement in MP and Chhattisgarh. However, the Maharashtra Standard Bag comprises 70,000 leaves (each bundle consisting of 70 tendu leaves).

- ▶ 1 quintal refers to the standard unit of weight (100 kg). Although the tendu leaf is procured in piece-count by the contractor through the co-operative society, it is sold onward by measure of weight.

## Payments

The proceeds of the tendu leaf sale are distributed in two phases: collection wage and incentive wage ('bonus'). The collection wage is paid during the collection season, usually within a week or two of actual collection in May–June. It is centrally set by the MP State Cabinet upon the recommendation of the MFP Federation prior to the collection season every year. It is uniform throughout the state (see Table 1). Thus, the collection wage across the state in 2010 and 2011 was ₹650 per SB, rose to ₹750 per SB for the 2012 season, and further to Rs. 950 per SB in 2013.

The second phase involves the distribution of the incentive wage or 'bonus'. This usually happens more than a year after actual collection. As evident from the previous section, the contractor is allowed time till February of the following year to make good the payment to the MFP Federation. As a result, the process of completing the accounts for the previous season begins only in late February or March and takes some weeks. By this time, the next tendu leaf season has already begun and the co-operative societies are engaged in the collection process. Consequently, the payment of incentive wage is further delayed and is usually paid around the time of Dussehra or Diwali to coincide with the festival season.

The incentive wage is calculated separately for each of the 937 lots. This is because each lot is tendered separately and sold at a distinct price. This can be seen from Table 4, which displays the tender price and collection wage for eight PCS across four District Unions for the year 2010. The incentive wage presented alongside was actually paid out only in the second half of 2011. Unlike the uniform collection wage, the incentive wage varies from one tendu leaf lot to another with each leaf-plucking household receiving an incentive wage in proportion to the quantity collected by it over the entire tendu leaf season. As Table 4 shows, the incentive wage varies between two PCS even within the same District Union.

As mentioned earlier, tendu leaf lots remaining unsold are procured by the MFP Federation at its own cost. These are disposed of after collection if a buyer is found. Such transactions usually result in a net loss to the MFP Federation. In such cases, leaf pluckers will be paid the collection wage but they will not receive an incentive wage. This phenomenon is observed in Sagar District where leaf pluckers in several PCS have received no incentive wage in some years (see Tables 14 and 15 in Appendix 3).

## Appendix 3

### Tendu leaf trade in Sagar district

The proximity of beedi-making factories in Sagar District has given rise to intermediaries who illegally purchase the tendu leaf directly from the leaf-collectors and sell them onward to the beedi-makers, bypassing the co-operative societies altogether. Consequently, tendu leaf lots sometimes remain unsold, and these are procured by the Federation at its own expense to be sold by auction after harvest, inevitably at a loss due to low prices. While this ensures that leaf-collectors' interests are partially protected by ensuring that they receive a collection wage, the costs borne by the Federation appear to be distributed across the District Unions going by the non-payment of bonus in several PCS. At the same time, leaf pluckers maintain that collection centres are often prematurely closed, or leaves are rejected on the pretext of quality, in order to compel them to sell in the black market. The following tables show the tender prices and incentive wage/bonus per Standard Bag in three PCSs each of North and South Sagar District Unions for the years 2006–11 (Table 14 and Table 15). These figures are compared with the average across the state (Table 13). The payment of bonus is the exception rather than the norm even where the tender prices are higher than the state average, suggesting that losses are recouped through cross-subsidization across the District Union at the cost of bonus payment to leaf pluckers.

**Table 13. Tender price, incentive wage and average administrative expenditure per Standard Bag averaged across all tendu leaf lots in Madhya Pradesh**

Year	Collection wage (₹/SB)	Madhya Pradesh		
		Average tender price (₹/SB)	Average incentive wage (₹/SB)	Average administrative expenditure (₹/SB)
2006	400	842	153	160
2007	450	1,543	490	115
2008	550	1,158	212	198
2009	550	1,296	303	181
2010	650	1,569	389	196
2011	650	1,817	576	253

Note:

1. The table is based on data publicly displayed on the website of the MFPFED (<http://mfpfederation.org/Website/content/tendupatta.html>; last accessed on 29/12/2013).
2. Average tender price is calculated by dividing total sale proceeds by total tendu leaf collection.
3. Average incentive wage is calculated by dividing total incentive wages paid by total tendu leaf collection
4. Average administrative expenditure per SB = expenditure per SB (total expenditure % total leaf collection) - collection wage per SB

**Table 14. Tender price and incentive wage in rupees per Standard Bag for three PCSs in North Sagar District Union**

Year	North Sagar District Union					
	Hirapur PCS (Lot # 323)		Bara PCS (Lot # 329)		Bhangarh PCS (Lot # 338)	
	Tender price	Incentive wage	Tender price	Incentive wage	Tender price	Incentive wage
2006	1,261	8	745	No bonus	385	No bonus
2007	1,497	No bonus	1,129	No bonus	1,101	No bonus
2008	991	No bonus	66	No bonus	552	No bonus
2009	1,091	No bonus	225	No bonus	1,001	No bonus
2010	1,127	11	1,009	No bonus	1,632	132

Note: Figures in red indicate that the tender price was too low to allow for a positive net income. (Source: Data collected from the Prabandhaks of each PCS.)



Table 15. Tender price and incentive wage in rupees per Standard Bag for three PCSs in South Sagar District Union

Year	South Sagar District Union					
	Tada PCS (Lot # 361)		Arjuni PCS (Lot # 362)		Nanhi Deori PCS (Lot # 363)	
	Tender price	Incentive wage	Tender price	Incentive wage	Tender price	Incentive wage
2006	867	No bonus	781	No bonus	1,021	No bonus
2007	1,309	361	1,309	361	1,324	No bonus
2008	1,102	No bonus	1,075	No bonus	117	No bonus
2009	1,132	361	1,132	No bonus	452	No bonus
2010	1,289	403	1,269	230	958	44

(Source: Data collected from the Prabandhaks of each PCS.)

## Appendix 4

### Additional information from studied PCSs

Table 16. List of District Unions and PCS covered for the study

S. No.	PCSs	Lot #	Forest Division
1	Chirapatla	204	West Betul
2	Chunahazuri	205	
3	Dhar	194	North Betul
4	Medhapani	186	
5	Shahpur	192	
6	Karanjia	1,746	Dindori
		(along with Bajag PCS)	
7	Nighori	1,749	
8	Bara	329	North Sagar
9	Bhangarh	338	
10	Hirapur	323	
11	Arjuni	362	South Sagar
12	Nanhi Deori	363	
13	Tada	361	
14	Kesli	360	
15	Gourjhamar	368	
16	Larkui	239	Sehore
17	Budhni	235	
18	Bandhwawara	779	Umaria
19	Chouri	777	
20	Karkeli	712	
21	Kohka	716	
22	Pali	780	
23	Raipur	723	
24	Sundardadar	781	
25	Pauanala	261	Vidisha

Table 17. Tender price, collection wage and 'bonus' across select PCS during 2008-10 (all figures in ₹ per SB)

District Union	PCS	2008			2009			2010		
		Tender price	Collection wage	Incentive wage (Bonus)	Tender price	Collection wage	Incentive wage (Bonus)	Tender price	Collection wage	Incentive wage (Bonus)
West Betul	Chirapatla	1,589	550	450	1,669	550	462	1,939	650	575
	Dhar	1,173	550	277	1,389	550	334	2,129	650	709
North Betul	Medhapani	1,314	550	417	1,543	550	581	1,891	650	NA
	Shahpur	1,239	550	262	1,701	550	502	1,908	650	590
North Sagar	Bara	66	550	No bonus	225	550	No bonus	1,009	650	No bonus
	Bhangarh	552	550	No bonus	1,001	550	No bonus	1,632	650	132
South Sagar	Hirapur	991	550	No bonus	1,091	550	No bonus	1,127	650	11
	Arjuni	1,075	550	No bonus	1,132	550	No bonus	1,269	650	230
Umaria	Nanhi Deori	117	550	No bonus	452	550	No bonus	958	650	44
	Tada	1,102	550	No bonus	1,132	550	No bonus	1,289	650	403
Umaria	Bandhwawara	1,719	550	536	1,919	550	657	2,565	650	956
	Chouri	1,669	550	509	1,819	550	603	2,430	650	883
Umaria	Karkeli	1,309	550	315	1,358	550	354	2,107	650	709
	Kohka	1,789	550	525	1,739	550	560	1,960	650	629
Umaria	Pali	2,359	550	832	2,107	550	759	2,501	650	921
	Raipur	1,760	550	559	2,127	550	773	2,374	650	853
Umaria	Sundardadar	1,659	550	504	2,076	550	742	2,230	650	775

Table 18. Average tender price and procurement in each District Union for 2011 and 2012

S. No.	District Union	Number of PCSs	Procurement in 2011 (in SB)	Average sale price (₹/SB)	Procurement in 2012 (in SB)	Average sale price (₹/SB)
1	Morena	1	1,400	1,362	1,500	1,586
2	Sheopur	16	26,300	1,630	26,800	2,096
3	Gwalior	4	2,000	1,304	2,200	1,659
4	Datia	1	500	Unsold	600	1,786
5	Shivpuri	35	45,700	1,429	46,000	1,909
6	Guna	18	35,600	1,452	38,000	1,941
7	Ashoknagar	11	20,500	1,339	24,000	1,722
8	Nimach	3	11,800	1,532	12,700	1,836
9	Ratlam	3	3,500	1,237	3,800	1,590
10	Ujjain	1	1,200	1,003	1,300	1,279
11	Shajapur	1	2,300	1,033	2,300	2,351
12	Dewas	29	83,900	1,796	88,400	2,396
13	Indore	3	2,200	1,603	2,200	2,118
14	Dhar	13	5,700	1,509	5,800	2,050
15	Jhabua	4	6,000	1,233	1,900	1,689
16	Alirajpur <sup>31</sup>	8	NA	NA	4,500	1,495
17	Khargone	2	4,300	1,578	4,400	2,024
18	Badwaha	7	10,400	1,698	10,700	2,454
19	Badwani	1	400	1,221	500	1,877
20	Sendhwa	3	3,800	1,577	3,900	1,729
21	Khandwa	17	35,300	1,775	36,800	2,607
22	Burhanpur	3	5,400	1,981	5,600	2,564
23	North Betul	10	33,000	2,126	34,300	2,903
24	South Betul	7	16,400	2,196	16,100	3,105
25	West Betul	10	21,400	2,386	21,900	3,431
26	Harda	8	23,400	2,246	25,200	3,635
27	Hoshangabad	13	30,800	2,299	32,200	3,284
28	Sehore	15	26,900	1,932	29,200	2,493
29	Bhopal	8	24,900	1,304	24,800	1,535
30	Rajgadh	4	7,700	1,291	8,700	1,543
31	Vidisha	13	40,800	1,433	42,900	1,897
32	Obedullahganj	15	25,300	1,929	25,700	2,589
33	Raisen	34	63,000	1,757	60,900	2,417
34	North Sagar	22	22,600	1,521	23,400	1,488
35	South Sagar	23	27,200	1,469	29,500	1,900
36	Damoh	18	19,200	1,384	20,900	1,784

<sup>31</sup> The Alirajpur District Union appears to have come into existence in 2011-12 after a new Alirajpur Territorial Forest Division was created in that year.

S. No.	District Union	Number of PCSs	Procurement in 2011 (in SB)	Average sale price (₹/SB)	Procurement in 2012 (in SB)	Average sale price (₹/SB)
37	Tikamgadh	25	19,300	1,074	19,800	1,322
38	Chhattarpur	76	94,500	1,337	1,00,000	1,794
39	North Panna	21	37,300	1,768	39,200	2,312
40	South Panna	14	25,100	1,495	25,100	1,874
41	Satna	42	93,500	1,557	89,400	2,123
42	Rewa	21	42,700	1,324	42,800	1,679
43	West Sidhi	51	1,27,600	1,716	1,23,100	2,331
44	East Sidhi	75	2,00,800	1,619	1,99,100	2,064
45	Umaria	31	1,17,500	2,065	1,12,000	3,184
46	North Shahdol	33	1,00,900	1,705	1,02,600	2,437
47	South Shahdol	22	60,200	1,718	59,200	2,616
48	Anuppur	8	24,500	2,046	23,800	2,905
49	North Balaghat	31	68,200	2,130	70,000	2,873
50	South Balaghat	29	65,500	1,773	64,700	2,189
51	Dindori	17	58,300	2,115	55,200	3,245
52	West Mandla	22	82,600	2,284	79,400	3,164
53	East Mandla	12	57,200	2,440	55,400	3,321
54	Katni	30	52,900	1,406	53,700	1,784
55	Jabalpur	27	52,000	1,680	53,400	2,153
56	North Seoni	20	51,400	2,293	50,300	3,394
57	South Seoni	24	57,900	2,244	56,100	3,163
58	Narsinghpur	21	45,600	1,998	45,000	2,539
59	South Chhindwara	10	24,400	2,017	25,200	2,733
60	West Chhindwara	8	21,900	2,517	21,500	3,352
61	East Chhindwara	12	27,400	2,169	27,400	3,106
<b>Total</b>		<b>1,066</b>	<b>23,00,000</b>		<b>23,13,000</b>	

## Appendix 5

### Constitution and roles of executive bodies of each tier in the MFP co-operatives in Madhya Pradesh

(Based on the bye-laws framed under the Madhya Pradesh Co-operative Societies Act, 1960)

#### **PCS**

Led by a 15-member executive committee (Prabandh Samiti), whose composition is as follows:

1. Eleven members elected directly by the members of the PCS (with reservation for two women, and SC, ST, and OBC members)
2. Two members nominated by the DFO from among the JFM Committees, whose jurisdiction falls within that of the PCS
3. Two ex-officio members nominated, one each, by the District Union, and the Registrar of Co-Operative Societies

The key functions of the Prabandh Samiti are as follows:

- a. Maintaining and regularly scrutinizing accounts/ financial records
- b. Calling General Body Meetings, at least once in a financial year
- c. Preparing annual report + annual statement of accounts
- d. Recommending distribution of profits to the General Body
- e. Purchasing and selling NTFP as well as agri produce in accordance with the directions of the MFPFED

6. Appointing Prabandhak, Phad Munshis with the approval of the Prabandh Sanchalak.

## District Union

Led by a 14-member board of directors (Sanchalak Mandal), whose composition is as follows:

1. Ten members elected from among the Prabandh Samitis of the PCSs encompassed within the concerned DU
2. Two nominated members: one representing a financial institution, and one nominated by the Registrar, Co-operative Societies
3. Two ex-officio members: the Prabandh Sanchalak (DFO), and the President, District Co-operative Central Bank

The key functions of the Sanchalak Mandal are as follows:

- a. Preparing the annual budget
- b. Entering into commercial transactions related to movable and immovable properties
- c. Determining prices of commodities, fees, charges, etc. with the counsel of the MFP Federation
- d. Organizing NTFP collection, wage payment, storage, and transport
- e. Authorizing the Prabandh Sanchalak to carry out the activities described above
- f. Entering into arbitration, legal proceedings, or adopting dispute-resolution measures
- g. Auditing accounts

The Prabandh Sanchalak, a position held ex-officio by the DFO, has executive powers. He/She is the authorized signatory in the case of all financial transactions of the DU. As mentioned earlier, the appointment of the Prabandhak and Phad Munshis at the PCS level must be carried out with the prior approval of the Prabandh Sanchalak.

## MFP Federation

The executive body is called the Sanchalak Mandal (Board of Directors), and comprises 18 or more members, the composition being as follows:

1. Nine elected directors, one each from District Unions in the revenue divisions of Indore, Ujjain,

Jabalpur, Sagar, Rewa, Bhopal, Hoshangabad, Gwalior, and Chambal.

2. Three nominated directors, comprising the Principal Secretaries (or an officer not below the rank of Under-Secretary) of the Forest, Finance and Co-operative Departments
3. Six or more ex-officio directors, consisting of:
  - ▶ Central Government officers appointed under the directions of the Government of Madhya Pradesh
  - ▶ Secretary, Department of Tribal Welfare, or a representative
  - ▶ Registrar, Co-operative Department, or a representative not below the rank of Additional Registrar
  - ▶ Managing Director, MFPFED
  - ▶ PCCF, Forest Department
  - ▶ Additional PCCF (Production), Forest Department

The key functions of the Sanchalak Mandal are as follows:

- a. Entering into commercial and financial transactions
- b. Applying for patent rights, trade rights, copyright in furtherance of the aims and goals of the MFP Federation
- c. Entering into legal agreements, legal proceedings; dispute-resolution
- d. Auditing accounts, preparing annual budget + annual report, and presenting the same to the GB
- e. Determining a pricing policy for NTFPs









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